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Daily Report

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CONTENTS

25 June 1996

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INTERNATIONAL AFFAIRS

General

PRC: Spokesman: Tibet 'Disruption' Should Not Affect German Ties [AFP]	1
PRC: Spokesman: Prospects For Sino-German Relations 'Broad' [XINHUA]	1
PRC: Spokesman: Summit Conducive to Middle East Peace Process [XINHUA]	1
PRC: Spokesman: Beijing Blesses DPRK Visit to Taiwan [AFP]	2
PRC: Protocol Signed With Mongolia, Russia on Joint Border Areas [XINHUA]	2
*PRC: Future of World Arms Trade Discussed [SHIJIE JINGJI YU ZHENGZHI 1 Feb]	2

United States & Canada

PRC: Shanghai Mayor Meets With Former President Bush [XINHUA]	7
PRC: Henan People's Congress Delegation Visits United States [XINHUA]	7
PRC: New Books Encourage Patriotic Stance in Sino-US Relations [Hong Kong SOUTH CHINA MORNING POST 25 Jun]	8

Central Eurasia

PRC: Kazakh President Previews Visit by Jiang Zemin [XINHUA]	8
PRC: Russian Ambassador Reports on Bilateral Trade, Cooperation [Hong Kong ZHONGGUO TONGXUN SHE]	9
PRC: XINHUA Cites Russian Officials on Presidential Election	9
PRC: 'Roundup' Views Yeltsin's Sacking of Entourage Members [XINHUA]	10

Northeast Asia

PRC: RENMIN RIBAO on Japan's Nuclear Inclinations [20 Jun]	11
PRC: NPC Vice Chairman Wang Guangying Meets Japanese Visitors [XINHUA]	13
PRC: KWP Secretary Meets Peace, Disarmament Delegation 17 Jun [XINHUA]	13
PRC: Delegations Visiting DPRK Meet WPK Secretary [Beijing Radio]	13
PRC: Delegation From DPRK's Chagang Province Visits Jilin [JILIN RIBAO 28 May]	13
PRC: PRC Reporter Visits DPRK's Sin No Cooperative Farm [RENMIN RIBAO 12 Jun]	14

Southeast Asia & Pacific

PRC: Spokesman Announces ASEAN Parliament To Visit 23-30 Jun [Beijing Radio]	15
PRC: Further on Spokesman Reporting Visit by ASEAN Delegation [XINHUA]	15
PRC: Qiao Shi Meets With ASEAN Parliamentary Group [XINHUA]	15
PRC: Cambodian State Secretary Comments on Defense Policy [Beijing International]	15
PRC: Mongolian President Meets Military Chief Fu Quanyou 20 Jun [XINHUA]	16
PRC: Premier Li Peng To Lead CPC Delegation to SRV Congress [XINHUA]	16

Near East & South Asia

PRC: Li Peng Pledges Support for Middle East Peace Process [XINHUA]	16
PRC: Jiang Zemin Greets Arab Summit in Cairo [XINHUA]	16
PRC: XINHUA Reports on Mubarak's Speech to Arab Summit	17

PRC: Vice Premier Meets Iranian Minister of Energy [XINHUA]	18
PRC: Nepalese Parliament Delegation Returns Home After Visit [XINHUA]	18
PRC: XINHUA Reports on Jiang Zemin's Talks With Yasir 'Arafat	18
PRC: Li Peng Holds Talks With PLO Leader [XINHUA]	19
PRC: 'Arafat Ends State Visit, Leaves for Vietnam [XINHUA]	19
PRC: Qiao Shi Tells 'Arafat Beijing Supports Middle East Peace [XINHUA]	19
PRC: Li Peng Meets Pakistan's Chief of Army Staff [XINHUA]	19
PRC: Defense Minister Meets With Pakistani Army Chief [XINHUA]	20
PRC: Economic, Commercial Delegation Visits Yemen [XINHUA]	20

West Europe

PRC: Spokesman Says Conditions Not Favorable for Kinkel's Visit [XINHUA]	20
PRC: Jiang Zemin Lauds Sino-Spanish Ties on Arrival 24 Jun [XINHUA]	21
PRC: Jiang Visit Termed 'New Milestone' in Sino-Spanish Ties [XINHUA]	21

NATIONAL AFFAIRS

Political & Social

PRC: Chen Xitong Reportedly Under House Arrest in Inner Mongolia [Hong Kong TUNG FANG JIH PAO 25 Jun]	22
PRC: Qiao on Separating Legislative From Law-Enforcing Roles [Hong Kong PING KUO JIH PAO 25 Jun]	22
PRC: XINHUA Reports on Li Peng's Interview With Paper	23
PRC: Further on Li Peng's Interview With Paper [XINHUA]	23
PRC: Li Peng Comments to Paper on Investment Environment [XINHUA]	24
PRC: Li Peng Comments to Paper on Sino-U.S. Ties [XINHUA]	24
PRC: Li Peng Comments to Paper on Direct Contacts Across Strait [XINHUA]	25
PRC: Li Peng: Objective To Build Modernized Socialist Country [XINHUA]	25
PRC: Jiang Addresses Nonparty Figures 18 Jun [XINHUA]	26
PRC: Circular Calls For Control of Foreign TV Broadcasts [XINHUA]	28
PRC: Qiao Shi Inspects Three Gorges Project [XINHUA]	28
PRC: Beijing Views Unemployment as Top Problem [Hong Kong MING PAO 17 Apr]	31

Science & Technology

PRC: Song Jian Discusses Science Work [LIAOWANG 6 May]	33
PRC: Beijing To Manufacture 0.5 Micron IC's [XINHUA]	35
PRC: Plans To Develop Electric, Non-Gas Fuel Vehicles Revealed [XINHUA]	35
PRC: First Electric Locomotive Developed [XINHUA]	36

Military & Public Security

PRC: Qinghai Commander Views National Defense Mobilization Work [QINGHAI RIBAO 28 May]	36
PRC: Yu Yongbo Speaks at Award Meeting for Army Scientists [XINHUA]	37
PRC: Guangxi Paper Describes 90-II Type Main Battle Tank [GUANGXI RIBAO 11 Jun]	38
PRC: Liaoning Secretary Inspects Fuxin's 'Crackdown' Struggle [LIAONING RIBAO 30 May]	38
PRC: Criminals Executed in Liaoning's Cities [LIAONING RIBAO 8 Jun]	39
PRC: Commentator's Article: 'Thoroughly Exterminate Evil-doers' [SHANXI RIBAO 11 Jun]	39
PRC: Criminal Executed by Shooting in Beijing [BEIJING RIBAO 14 Jun]	40
PRC: Inner Mongolia Holds Open Trials of Serious Criminals [NEIMENGGU RIBAO 11 Jun]	40
PRC: Yunnan Governor on Current Crime Crackdown [YUNNAN RIBAO 13 Jun]	41
PRC: Narcotics Trafficking Case Cracked in Beijing [BEIJING RIBAO 13 Jun]	42

*PRC: Discussion of Oilfield Security Issues /RENMIN GONGAN BAO 13 Feb/ 42

ECONOMIC AFFAIRS

General

PRC: Li Peng Meets Boeing's Board Members /XINHUA/	44
PRC: Official Reviews Dangerous Chemicals Catalogue /XINHUA/	44
PRC: Liu Guoguang on Macroeconomic Policy Debate /JINGJI RIBAO 13 May/	46
*PRC: Noted Industrial Economist Comments on Promoting Pillar Industries /JIAGE LILUN 20 Mar/	48
*PRC: Difficulties in Reforming State-Owned Enterprises /ZHONGGUO QINGNIAN BAO 26 Mar/	52
*PRC: Impact of 1996 Tariffs on Machine-Building Industry /JIDIAN RIBAO 18 Apr/	53
*PRC: Symposium Evaluating 1995 Economy, Forecasting 1996 Economy /CHING CHI TAO PAO 15 Apr/	57

PRC MEDIA ON TAIWAN AFFAIRS

PRC: Huangpu Alumni Criticize Taiwan Leaders /XINHUA/	61
PRC: Article Criticizes Taiwan's Shipping Proposal /Hong Kong ZHONGGUO TONGXUN SHE/ ..	61
PRC: Taiwan Investment Protection Rules Adopted This Year /Hong Kong WEN WEI PO 17 Jun/	62

TAIWAN

Taiwan: Mainland Affairs Council To Consider PRC Water Offer /Hong Kong HONGKONG STANDARD 25 Jun/	64
Taiwan: Taipei 'Never Expected' To Exchange Offices With Pyongyang /Taiwan Central News Agency WWW/	64
*Taiwan: Unexpected Nation-Building Function of Presidential Election /HSIN HSIN WEN 23 Mar/	65
*Taiwan: First Cabinet Reshuffle After Presidential Inauguration /HSIN HSIN WEN 30 Mar/	66
*Taiwan: Economic Power of Organized Crime /HSIN HSIN WEN 3 Feb/	68

HONG KONG & MACAO

Hong Kong

Hong Kong: Editorial on Zhou Nan's Interview With TIME /Hong Kong WEN WEI PO 25 Jun/	71
Hong Kong: Six People Blacklisted for Opposing Provisional Legislature /Hong Kong PING KUO JIH PAO 25 Jun/	72
Hong Kong: XINHUA Explanation of Legco-NPC Relations After 1997	72
Hong Kong: US Customs Not Allowed To Inspect Garment Export Factories /Hong Kong HONGKONG STANDARD (FINANCIAL REVIEW) 25 Jun/	73
Hong Kong: Official: US Measures on Textiles Hurting Legitimate Trade /Hong Kong SOUTH CHINA MORNING POST 25 Jun/	74

General**PRC: Spokesman: Tibet 'Disruption' Should Not Affect German Ties**

*OW2506095896 Hong Kong AFP in English
0933 GMT 25 Jun 96*

[FBIS Transcribed Text] Beijing, June 25 (AFP) — Beijing moved on Tuesday [25 June] to calm a damaging row with Bonn over human rights by characterizing a German parliament resolution on Tibet as the work of a few saboteurs that should not affect mainstream relations.

"All these recent developments that bring harm to Sino-German relations are the sole making of a few people within Germany," Foreign Ministry spokesman Cui Tiankai told a scheduled media briefing.

"The disruption made by a few people should not be the mainstream of the relationship between the two countries," he added.

Beijing postponed an upcoming visit by German Foreign Minister Klaus Kinkel on Sunday after Germany's parliament passed an all-party motion condemning Chinese policies in Tibet on June 20.

But Cui toned down China's rhetoric on Tuesday and called for measures to repair the rift, which has so far hit planned visits to China from Germany's Construction Minister Klaus Toepfer and Environment Minister Angela Merkel and prompted Germany to cancel a high-level military meeting planned for later in the year.

"So long as the German side takes concrete and effective measures to prevent the recurrence of such events that harm bilateral relations ... There is still a broad prospect as far as relations between China and Germany are concerned," Cui said.

"I believe that the majority of German people support and endorse the development of friendship and cooperation with China ... And China has always attached great importance to its relationship with Germany," he added.

In Bonn on Monday, Kinkel urged his government to react calmly to the row and warned it was not in either nation's interest to "slam the door on each other."

Germany is China's largest trading partner in Europe and has made high-profile efforts to promote bilateral economic relations since the two sides resumed official contacts — frozen in 1989 — in 1992.

PRC: Spokesman: Prospects For Sino-German Relations 'Broad'

*OW2506122896 Beijing XINHUA in English
1204 GMT 25 Jun 96*

[FBIS Transcribed Text] Beijing, June 25 (XINHUA) — Foreign Ministry spokesman Cui Tiankai said in Beijing today that prospects for Sino-German relations will remain broad, so long as Germany takes measures to stop actions harmful to bilateral ties.

In response to a question concerning the issue at a routine press conference, Cui said that on June 20 the German Federal Parliament adopted an anti-China resolution on Tibet, in total disregard of repeated representations made by China.

"It was an act that violated the norms of international law and interfered in China's internal affairs," he noted.

He continued that all the recent developments that brought harm to Sino-German relations were solely caused by a minority of people of Germany, and even within Germany they were criticized. Cui expressed regret over the recent developments that negatively affected the development of Sino-German relations.

"However disruption or sabotage made by a few people should not be the mainstream of bilateral relations," he noted.

China has always attached great importance to Sino-German relations and the maintenance and development of bilateral ties serve the long-term and fundamental interests of both countries, he reiterated.

"So long as Germany takes practical and effective measures to prevent the recurrence of events that are detrimental to bilateral relations and restore bilateral ties to the track of healthy redevelopment, there are still broad prospects for the relationship between the two countries," the spokesman said.

PRC: Spokesman: Summit Conducive to Middle East Peace Process

*OW2506104196 Beijing XINHUA in English
1017 GMT 25 Jun 96*

[FBIS Transcribed Text] Beijing, June 25 (XINHUA) — Chinese Foreign Ministry spokesman Cui Tiankai expressed the belief here today that the recently concluded Arab Summit will have a positive impact on peace and stability in the Middle East as well as on restoring and enhancing solidarity among Arab nations.

In response to a question concerning the summit at a routine news briefing, Cui said that the summit, which just concluded in Cairo, Egypt, expressed the aspiration

and determination of Arab countries to strengthen unity and coordination under the current circumstances and to continue pushing forward the Middle East peace process. "We appreciate that," He said.

He pointed out that the Chinese government has all along supported the Middle East peace process and stood for a just and comprehensive settlement of the Middle East issue on the basis of relevant UN resolutions.

"We are convinced that this summit will have a positive impact on peace and stability in the Middle East region and on restoring and enhancing Arab solidarity," he added.

PRC: Spokesman: Beijing Blesses DPRK Visit to Taiwan

OW2506105096 Hong Kong AFP in English 0954 GMT 25 Jun 96

[FBIS Transcribed Text] Beijing, June 25 (AFP) — China gave its blessing Tuesday [25 June] to the ongoing visit by a North Korean delegation to Taiwan, but warned Pyongyang against cementing any official ties with the nationalist island.

"We take no exception to the people-to-people and economic and trade ties between Taiwan and countries having diplomatic relations with China," Foreign Ministry spokesman Cui Tiankai said.

"However, we stand opposed to any official links or contacts," he added.

The six-member North Korean delegation, headed by the chairman of the International Trade Promotion Council Lee Sung-Rok, met Monday with Taiwanese Vice Economics Minister Hsu Ke-sheng.

Lee, the highest ranking North Korean official ever to visit Taiwan, urged more Taiwanese businessmen to visit the North and requested more funds for the isolated Stalinist state.

Taiwan, which does not maintain official ties with Pyongyang, has allowed local businessmen to trade directly with North Korea and other communist countries, except China, since 1991.

The delegation's visit had been expected to spark an angry response from China, but Cui made it clear that Beijing trusted Pyongyang to abide by the principle of maintaining only unofficial contacts with Taipei.

"On many occasions, North Korea has indicated that it will strictly follow the principle of 'one China' and refrain from entering into official contacts with Taiwan," Cui said, adding: "We appreciate that stance."

China, which views Taiwan as a renegade province, strictly prohibits any country with which it has diplomatic relations from taking any action that might be viewed as de facto recognition of the government in Taipei.

PRC: Protocol Signed With Mongolia, Russia on Joint Border Areas

OW2406133496 Beijing XINHUA in English 1328 GMT 24 Jun 96

[FBIS Transcribed Text] Beijing, June 24 (XINHUA) — A protocol signed by China, Mongolia and Russia today defines the points where the eastern and western borders join and the respective map co-ordinates.

The protocol was signed by Chinese Vice-Foreign Minister Zhang Deguang, Mongolian Ambassador to China Dagva Tsakhilgaan [name as received], and Russian Ambassador Igor A. Rogachev.

The protocol provides for the legal location of the joint border points in the eastern and western sections of the border. Zhang pointed out that the event is expected to promote peace and stability in the three countries' joint border areas and to have a positive effect on economic developments and friendly exchanges in the areas.

***PRC: Future of World Arms Trade Discussed**

96CM0395A Beijing SHIJIE JINGJI YU ZHENGZHI in Chinese 1 Feb 96 No 2, pp 30-33

[Article by Wu Peng (0702 7720), affiliated with the PLA Academy of Military Science Strategy Department: "The Status and Development of World Arms Trade in the Post-Cold War Age"]

[FBIS Translated Text] Military arms are weapons of direct casualty to the human race and destruction to material civilization. Their production and sale are not only limited by ordinary commodity laws, but also have an obviously positive correlation to the world's political, economic, and military state, as well as having both a direct and indirect influence on overall world peace and stability. Since the end of the Cold War, the great change in the world order has strongly impacted and shocked the world arms market, bringing a series of new features to this former "arena for the stealthy emergence of enormously wealthy merchants," as well as laying certain grounds for its future development trends and directions.

I. The Status And Features of World Arms Trade in the Post-Cold War Age

Arms trade in Cold War times was always carried on within the general setting of the tense standoff be-

tween the world's two military superpowers, characterized markedly by the trade per se being flavored by the establishment of, access to, and consolidation of alliances. As military science and technology [S&T] have developed in line with the needs of political struggle, the process per se of the manufacturing and sale of weaponry has become a weapon of that struggle. And the end of the Cold War has quickly brought a new state to the arms trade market.

1. With the overall degree of tension lower, and reduction of armaments having become the trend, the arms trade volume is generally down. Since the end of the Cold War, the state of confrontation and mutual deterrence between the two great military blocs headed by the United States and the Soviet Union no longer exists, with peace and development having become a global theme, and a tide having emerged among the world's major countries of troop reductions, defense spending cutbacks, and arms order decreases. A large mass of tanks, aircraft, and arms and ammunition has become "surplus materiel" overnight. NATO data show that from 1990 to 1997, the overall troop strength of its 16 countries is being reduced by 25 percent, with Central Europe's armies and air forces being cut back by 45 percent. As its adversary has "withered away," the United States has closed or converted to other uses a large number of its military bases and war production plants. Since 1990, it has announced the closure or shrinkage of 840 overseas military bases and facilities. And on 1 July 1994, the U.S. Defense Dept announced that it was closing or shrinking another 92 overseas military bases and facilities, which was the largest single U.S. cutback of overseas military bases and facilities since 1990. This change in the world order has leveled the once brisk international arms trade that was so developed in a time grounded in military deterrence during the Cold War. And while world arms trade rebounded temporarily during the Gulf War, as to overall trading and purchase volume, arms trade is down markedly, even more so in Russia and the Central and Eastern European countries in particular. Stockholm International Peace Institute data show that the 1992 arms sales of the world's 100 major arms production companies were down around \$8 billion from 1991. And while U.S. arms exports topped \$30 billion in 1993, its 1994 sales were in a marked slump, estimated to have been no more than one-half of 1993's, and quite likely to remain around that level for some years to come. And from a global perspective, Third World arms purchases are also down markedly. In 1993, the Third World contracts of the major arms supply country [the United States] amounted to only \$20 billion, the lowest since 1986, and less than one-half their record \$51 billion of 1985. Russia and Britain ranked second at \$1.8 billion

respectively, while France's 1993 arms sales contracts had dropped from their \$4 billion of 1992 to only \$200 million.

2. The stronger limiting forces of international intervention and the disappearance of the ideological arms trade distinctions have rapidly heated up the secret arms trade. During the Cold War, the secret arms trade was a key means of U.S.-USSR military struggle. In 1987, at the height of the Iran-Iraq war, the annual volume of such secret arms trade peaked at \$46.5 billion. Subsequently, such "stealth trade" beyond the scope of official public documentation had decreased and subsided. But by now, the world is characterized by force multipolarization, conflict decentralization, and struggle regionalization, which has placed a certain inherent demand on the United Nations to play a greater role in resolving international conflicts and burning issues, giving the UN a sounder role in harmonizing, dealing with, and controlling international problems, as well as further forming and perfecting its international intervention forces such as peacekeeping means. Aimed at peacekeeping, the post-Cold War UN has taken hardline sanction and embargo steps against regions such as Iraq, Libya, Zaire, the former Yugoslavia, Yemen, and Haiti, which have been acknowledged and supported by the majority of countries. In addition, the post-Cold War UN and international community have tightened their strict control of arms exports and transfers, further stressing "arms transparency," instituting arms transfer registration, and setting up a world arms registration system. Such UN oversight and restrictions have largely kept illegal organizations in certain countries and all parties to armed conflicts from purchasing arms openly on the international market, forcing them to resort to secret channels, which has started to make the secret arms trade brisker once again. And meanwhile, the weaker ideological distinctions have also made post-Cold War arms smuggling more convenient. Driven by economic interests, certain countries, international syndicates, and multinational corporations have been actively developing such underground arms trade to break into a "turf" that once belonged to their opponents. The Swedish Stockholm International Peace Institute holds that such secret arms trade had reached \$18.5 billion by 1992, and was likely to continue to grow. And the British ECONOMIST estimates that internationally, the secret arms trade has now probably reached as high as \$100 billion a year, with the secretly traded arms coming in more categories with higher performance and greater killing power.

3. The arms-export power ranking is being rearranged, with Russian arms trade now having bottomed out to participate in market competition once again. The former Soviet Union was once the world's largest arms

exporter, with its arms exports topping \$15 billion a year. In 1989, it held 38 percent of the market share in world arms trade. But the breakup of the Soviet Union and the dissolution of the Warsaw Pact lost Russia most of its arms market. Its arms exports plummeted from 1987's \$22.6 billion to only \$2 billion by 1993, with the resulting share very quickly taken over by Western nations such as the United States. In 1992, when Russia's arms exports were down to \$1.3 billion, dropping its world arms market share to only 17 percent, U.S. arms exports rose 38 percent. So to reverse as quickly as possible the severe decline of its national economy and successive years of state revenue losses, Russia has made the defense and expansion of the arms market that had been so highly profitable to the former Soviet Union one of its key measures, taking real steps to turn the tide. 1) It has remolded its image. Russia has made great efforts to reverse the confidence crisis created by the massive destruction by the multinational forces of the Soviet-made arms used by Iraq in the Gulf War. At the February 1993 World Arms Fair in the United Arab Emirates capital of Abu Dhabi, it showed over 370 advanced weapons. Many of those arms were displayed and supplied for export for the first time, with their performance surpassing that of similar U.S. goods. 2) It has adjusted its war industry product mix, developing large high-tech weapons systems. After adjustment, Russia now ranks three major categories of export arms for priority development, or aviation and spaceflight products such as all types of combat aircraft and low-orbit satellites for both military and civilian use, heavy army weaponry such as main battle tanks and ground-to-air missiles, and naval underwater offensive arms such as all types of submarines. 3) It has taken flexible steps such as arms for barter and for debt security to promote arms sales. Since 1993, Russia has been supplying MiG-29 fighters to settle its debts with Hungary and Slovakia. It has even used the credit form to sell India 30 S-30 fighters, as well as selling India the license to manufacture that aircraft. 4) It has gone all out to expand its arms sales channels. Russian President Yeltsin has openly suggested that "Russia has no need to make concessions on the arms sale issue." In recent years, Russia has expanded its arms trade to arms sales markets controlled by the United States during the Cold War such as Malaysia, South Korea, Indonesia, Pakistan, Argentina, and South Africa, as well as to countries with which it had no previous dealings such as Turkey and Israel. It signed \$3 billion worth of arms export contracts in the first half of 1994 alone, or about twice their 1993 export value. And Russian Defense Minister Grachev declared explicitly on 13 September 1994 that Russia's 1994 arms exports would be up 40 percent from 1993. So Russian resurgence in the arms

trade arena shows that world arms sales competition is growing ever sharper.

4. Affected by long-standing ethnic, territorial, resource, and religious conflicts, Mideast arms preparations remain at a quite high fever pitch. The Mideast was one of the key priorities of U.S.-USSR confrontation in the time of bipolar antagonism. In the two decades before the end of the Cold War, the Arab states in this region spent \$1 trillion in the military arena. But the end of the Cold War has quickly cooled down the military confrontation in the Mideast that had been instigated and heightened by the two superpowers, bringing an acceleration of the peace process. Palestine has reached a reconciliation agreement with Israel, which is also gradually starting to achieve substantive reconciliation results with other Arab countries. In addition, due to factors such as declining income from oil exports, certain Mideast countries have also had to reduce their defense and arms spending in recent years. But as the region's profound ethnic, religious, party, and territorial security conflicts have been hard to resolve all at once, with the cloud of armed conflict still hanging over the region, arms remain a focus of all power groups. So the region also remains a place of greed and competition among the world's arms merchants. Since the Gulf War, Western nations such as the United States, France, and Britain have exploited the advertising effect of the war on weapons, quickly peddling their "hotsellers" to the region. For instance, ones such as the Patriot missile, the Augusta submarine, and new tanks have all won large orders. And in recent years, Russia has also resumed exports of planes and submarines to countries such as Iran, Libya, Syria, Algeria, and the United Arab Emirates [UAE].

5. Asian arms trade is growing in direct proportion to economic development, with the competition growing ever sharper. Asia was for a time during the Cold War a place where the United States and the Soviet Union fought for supremacy, repeatedly experiencing conspicuous local wars and armed conflicts. And since the end of the Cold War, Asia has entered an age of rapid economic development, with a development scene of political stability, enhanced cooperation, and rapidly growing outside investment. But along with its economic development, the region still has factors making for instability. The remnants of the Cold War are not only still hanging over the Korean Peninsula, but are also still playing out in certain Southeast Asian countries. Meanwhile, the "China as a threat theory" has emerged to be preached with ulterior motives by the United States, Japan, and certain Western nations, which have exploited the region's guarded mindset about China and certain purchasing power to turn Asia by all means into

a profitable arms market, which has left Asia in the post-Cold War age to evolve an arms expansion momentum that is certainly out of line with the overall world tide. 1) The region is experiencing rapid growth of military budgets and appropriations. By 1992, the region's military spending had already begun to show marked growth over the preceding year, with the 1993 military spending in the region by countries and regions such as Japan, Indonesia, Thailand, Singapore, and Taiwan up from 1992 by respectively 9 percent, 14.9 percent, 8 percent, 5.6 percent, and 31.1 percent. Japan and Taiwan's real military spending was \$37.7 billion and \$11 billion respectively, ranking first and second in Asia. 2) Military purchases are also showing diversification and a trend toward offensive weapons. Certain countries are intentionally emphasizing advanced and offensive weapons in their arms purchases. For instance, Japan is starting to build a tactical missile defense system, purchasing U.S. Patriot missiles, and deploying them in western Japan. Vietnam is drawing up a defense construction plan focused on naval modernization, ordering new warships and offensive weapons systems from arms merchants in countries such as Russia, the United States, and France. And certain other ASEAN countries are also converting from internally oriented armies to externally oriented navies, purchasing in a directed way offensive military equipment. 3) The competition in the region among all arms export powers is sharpening, with the sharp rise in military spending having turned the region into a hot spot for world arms merchants. Certain Western nations are exploiting the arms replacement and upgrading of certain southeast Asian countries to sell large amounts of arms, converting them all the way from light arms such as handguns up to combat aircraft over to the trademarks of Western arms powers.

II. The Inherent Drive and Influence of Arms Trade Development in the Post-Cold War Age

As military arms are a special sort of commodity, being directly connected to the wars that are such a disaster to human life and property, the arms trade is an economic activity with a certain political flavor. And while it is limited by political, military, and economic factors, it also has an undeniably negative effect on these factors.

1. World instability and local and regional conflicts remain the incentive to arms market development. Since the end of the Cold War, while global tensions are generally eased, conflicts such as ethnic, religious, and territorial that were temporarily overshadowed during the Cold War by the bipolar standoff are now surfacing, to form new hot spots. Not only have regional armed conflicts and local wars not subsided, but they are still increasing and developing instead. Swedish Strategic

Studies Institute data show the local wars and armed conflicts in the post-Cold War era to have numbered 33 in 1989, 31 in 1990, 30 in 1991, 30 in 1992, and 34 in 1993, having involved 28 countries and regions. And in 1994, not only did most of the hot spots of 1993 continue so, but new ones such as the Rwandan and Yemen civil wars also broke out. Such local wars and armed conflicts are the direct motivation for the preservation and development of the arms trade.

2. As the manufacturing and sale of arms still brings quite high cash returns, arms sales has become an activity participated in directly by the governments of many countries. On the international market, legitimate arms sales is one of the largest world-acknowledged industries second only to oil. In 1990, while world oil income was \$430 billion, arms industry earnings had reached \$250 billion. As the arms trade not only brings quite high cash returns, but also enables certain arms production powers to largely resolve their unemployment problems and stimulate economic development, the governments of certain countries are openly involved in the arms trade, actively developing markets for their countries' arms. For instance, in 1992 the French and U.S. Governments did not hesitate in the interests of high cash returns to risk a deterioration in their relations with China by supporting arms trade in aircraft by their countries' companies with Taiwan. At the 1994 Asian Aviation Fair in Singapore, the U.S. Government sent 57 military experts and spent roughly \$575,000 in sales promotions to sell U.S. goods. At that fair, the United States showed 20 of its highest-tech fighters, bombers, and armed helicopters in 13 categories, including the F/A-18S and F-15C fighters. The U.S. Defense Department assumed the lion's share of the goods delivery, technical demonstration, and daily personnel expenses. An official of its Arms Control Association stated clearly that the U.S. Government was helping to increase U.S. arms exports to reverse the drop in arms industry production due to the reduced domestic arms demand in the United States.

3. The emphasis on building military quality by all countries means that the world outlay for arms purchases and sales will remain high. The reality is that the latest S&T achievements are always applied first to the military. So as S&T advances, the high-tech nature of the weaponry used in modern war grows ever more obvious. Since the Gulf War, many countries have been paying more attention to the role of high-tech weaponry in future wars, shifting their force-building focus to military quality, and organizing units equipped with high-tech arms and a rapid response capability, which can intervene in local and regional conflicts at any time. And the course of designing and manufacturing high-tech weapons is

showing a marked technology-intensive trend. As determined by the laws of economics, [arms] commodities are growing ever more technology intensive, with ever higher value added and increasingly larger profits. Improved performance often means higher cost. An F-15 fighter now costs \$50.4 million, with a Patriot missile costing \$1.1 million, and an M-1A1 tank priced at \$3 million, while a fighter plane cost only \$1 million in the early 1960's. Every increase in technology level usually requires several or dozens of times higher cash purchasing power. The outcome of high-tech weaponry development is that on one hand, unit operational performance multiplies, which purchasers have to give priority consideration to, while on the other, the costs of arms purchases by all countries are bound to skyrocket.

4. Since the end of the Cold War, many surplus arms have flowed back into the arms market, to become a key temptation to local conflict. Cold War times not only trained a large group of arms users, but also created a large number of arms suppliers. But as the end of the Cold War has turned much former weaponry into surplus material still having "cash content," market laws mean that the existence of such materiel per se is bound to give rise to much trade through secret channels. And the large-scale buildup through various channels of such weapons in a region is also bound to instigate and cause the occurrence and development of regional armed conflict. Almost all of the larger armed conflicts that occurred in the early 1990's were backed by the arms support of over two countries supplying weapons. For instance, the 1991 Somalia civil war occurred within the setting of the many arms that had been supplied by the former Soviet Union and the United States. And both combatants also acquired air power through various channels. After two and one-half years, the civil war that started in Bosnia Herzegovina in 1992 had caused tens of thousands of casualties and billions of dollars of damage. And while the UN made a special resolution to sanction and prohibit arms shipments, the three warring sides not only did not "find themselves short of arms and ammunition," but even claimed to be all ready for a "protracted war" instead. The arms black market and smuggling channels in certain surrounding countries became an open secret. So arms sales result in the heating up of local and regional conflicts into shooting wars, inciting hostilities and causing instability in even more places. By 1993, in the 48 ethnic conflicts that had occurred throughout the world, the parties involved in 39 of them had acquired U.S. weaponry. So this large-scale arms proliferation is making future international peacekeeping operations much more difficult and much larger in scale.

III. Future Developments and Trends in World Arms Trade

The arms trade on one hand is a necessary means for all countries to defend their national security, while on the other being a direct reflection of the military tension throughout the world, so that the trade volume is generally seen as a barometer of world security. With the post-Cold War arms trade limited by new features, its development trends and directions are also seeing new adjustments.

1. Since their certain degree of decline, arms sales are gradually tending to stabilize. Arms sales are an external expression of military demand and intentions. Since the Cold War, as the global military confrontation has disappeared while creating more factors for local armed conflicts and shooting wars, the arms trade still has a considerable market. With the data for the years since the Cold War showing that the arms trade is generally only one-half to two-thirds what it was during the Cold War, it is projected that short of an all-out war or conflict, the arms trade will generally remain relatively stable at this level for some time to come, with less overall decline or rebound.
2. Arms design, manufacture, and sales will be done more by groups [blocs]. With the world tide of economic grouping and military cooperation regionalization, arms industry production and sales are also facing competition and challenge. In particular, the future of the arms industry hinges on the development of aviation, spaceflight, and electronics technology, which are technical fields requiring enormous public financial support, even to the point of surpassing the endurance of any single country. So to survive and grow with shrinking market capacity and sharper competition, the arms industry trend toward grouping, and its evolution of a certain amount of trust as to particular goods in specific industries, is a key direction of post-Cold War arms trade development. The military cooperation among certain European countries and regions has now gone beyond the past purely defensive cooperation and exchange, with the individual arms manufacturing form changing to "vertical union" and "lateral alliance." In July 1994, Italy, France, and Britain jointly signed onto a "European corvette" plan, preparing to jointly develop and outfit a new destroyer, with the cooperative funding reaching a high of \$12 billion. Such joint development is a step taken by European countries since the Cold War to compete with the United States in the arms market. And in addition to the "European corvette" plan, Germany, Britain, Italy, and Spain have also jointly drawn up a "European fighter" plan that will cost \$50 billion. This not only gives the European countries new impetus in diplomatic and military policy, but also shows the

influence of world economic blocs on arms production and trade.

3. The rivalry over high-tech arms market share will become a focus of the arms trade. The 1991 Gulf War brought high-tech weaponry onto the battlefield to the benefit of the market. The trust in and demand for battlefield performance surpassed the rejection of and concern about the enormous cost. Certain countries have exploited this market demand psychology and their own high-tech weaponry development and production capability to get fabulously rich. And for some time to come, most Third World countries are going to be in a period of arms renewal and replacement. New arms purchase plans and appropriations will make the high-tech arms market much brisker, likely to bring an arms-trade race in high-tech weaponry. While many countries are now reducing their military spending and cutting back their personnel and military base numbers, they are simultaneously busy upgrading their conventional weapons quality and raising their high-tech content. Certain arms production powers have not only not reduced their high-tech weaponry development and production spending, but are still increasing it instead. The U.S. Defense Department has laid out a plan to "arm the U.S. military with future technology as soon as possible," and is making a priority project of developing advanced conventional defense weaponry, providing priority support as to funding and terms. Russia put out new weapons from 1991 to 1993 in over 14 categories in nine fields. And the new weapons systems that it is now developing also involve over 30 categories in more than 12 fields. France, which has become the third-ranking arms export power since the end of the Cold War, also set forth in 1994 "the need to attract customers with the most technologically advanced weapons, to protect existing markets and break into others," and is planning in coming years to promote its whole arms export industry headed by high-tech weapons such as minesweepers, the Augusta submarine, and the Mirage 2000-5 fighter, so that its annual export value will reach 30 billion francs. Its high-performance arms exports already extend to Turkey, Pakistan, Austria, Saudi Arabia, Kuwait, the UAE [United Arab Emirates], Qatar, Malaysia, and Brazil.

An overview of the status and development of world arms trade shows quite easily that in the midst of the general melody of world peace and development, an undercurrent of disharmony still exists. The overall ease in military tension and lessening of ideological confrontation since the Cold War are gradually bringing the economic aims of the arms trade to the fore. But as the rivalry among certain Western arms powers over economic interests in the arms trade field is having the

negative side effect of creating instability and forming potential conflict in the world security climate, it is much in need of attention and vigilance.

United States & Canada

PRC: Shanghai Mayor Meets With Former President Bush

OW2406135396 Beijing XINHUA in English
1345 GMT 24 Jun 96

[FBIS Transcribed Text] Shanghai, June 24 (XINHUA) — Shanghai Mayor Xu Kuangdi met here this evening with former US President George Bush, who arrived in this China's largest industrial city earlier today.

During the meeting, Xu briefed Bush on Shanghai's economic development in recent years.

Bush said that it is important for China and the United States to maintain good relations at the turn of the century.

PRC: Henan People's Congress Delegation Visits United States

OW2506023296 Beijing XINHUA Domestic Service in Chinese 0221 GMT 20 June 96

[By reporters Wei Guoqiang (7614 0948 1730) and Xiao Chenglin (5135 2052 2651)]

[FBIS Translated Text] Washington, 19 June (XINHUA) — At the invitation of Governor Bill Graves of Kansas, a delegation of the Henan Provincial People's Congress led by Vice Chairman Wang Hongfan carried out a friendly visit to Kansas and some other U.S. sites from 12-19 June.

The delegation's visit aimed at enhancing friendship, deepening understanding, expanding cooperation, and improving the development of ties between Henan Province and the state of Kansas. The delegation received a warm and friendly reception from the Americans.

On the morning of 13 June, Governor Graves met with the delegation and had a cordial conversation with Vice Chairman Wang Hongfan. Both parties reviewed the achievements made after the establishment of a sisterhood relationship in the aspects of economic, scientific, technological, educational, and personnel exchanges. They also discussed the broad prospects for expanding bilateral cooperation.

Wang Hongfan delivered to Governor Graves a letter from Governor Ma Zhongchen of Henan Province. On behalf of Governor Ma Zhongchen, Wang Hongfan also invited Governor Graves to visit Henan. Governor

Graves expressed his thanks and pleasantly accepted the invitation.

The members of the delegation discussed with members of Kansas' Senate and House of Representatives about the parliamentary work. They also visited the University of Kansas, Goodyear Company, and some scientific research institutes relating to agriculture, animal husbandry, and food processing. They also discussed with a personnel of a Kansas farm who is in charge of training programs on the details about carrying out a training plan in Henan early next year.

The delegation ended its friendly visit to Kansas on 14 June. The delegation also visited Washington, New York, and Los Angeles to meet local industrial and commercial personages. The delegation left Los Angeles for home on 19 June.

PRC: New Books Encourage Patriotic Stance in Sino-US Relations

HK2506075296 Hong Kong SOUTH CHINA MORNING POST in English 25 Jun 96 p 9

[By Vivien Pik-Kwan Chan]

[PTS Transcribed Text for FBIS] Beijing authorities have encouraged expressions of strong patriotic feelings against US intervention in China affairs.

Two books on Sino-US relations, written by different groups of young scholars, have been distributed in major cities in the past two months.

One of the books, *A Depiction of the Wrestling Between China and the United States*, traces the conflicts of Sino-US relations from the Korean War to Taiwan President Lee Teng-hui's visit to America last June.

It also discloses for the first time that the former US ambassador to Beijing, James Lilley, was the mastermind behind Mr Lee's trip.

It takes issue with Mr Lilley, who suggested Mr Lee pay a visit to his Alma Mater, Cornell University, heightening tension between Washington and Beijing.

Chai Zemin, Beijing's first ambassador to Washington, is the book's adviser. Among the writers making contributions is a scholar on Sino-US relations, Chen Feng.

The book, in two volumes, was printed by the Personnel Publishing House under the Personnel Ministry.

The other book, spanning 300 pages, is called *China Can Say No: A Choice Between Politics and Emotion in the Post-Cold War Era*.

Written by a group of five writers in their mid-30s, the book suggests China could now say no to the US as its own economic power continues to develop.

They believe that as China's economy prospers, China could even say no to Most Favoured Nation status.

It also portrays Wu Yi, Minister of Foreign Trade and Economic Cooperation, as a woman who dared to confront the Americans on the subject of intellectual property rights.

The book was printed by Publishing House under the All-China Federation of Industry and Commerce. One of its authors is from the China Contemporary Relations Research Society.

Analysts said the book suggested China was capable of confronting the US on all spheres of international activities.

The two books could have been promoted by Beijing authorities to swing public opinion against the US, analysts said.

Despite the successful conclusion of the intellectual property rights negotiations, the removal of sanctions for nuclear proliferation, and the renewal of special trading status, Beijing authorities want the US to know there are strong sentiments among the general population against American pressure.

Central Eurasia

PRC: Kazakh President Prepares Visit by Jiang Zemin

OW2506035896 Beijing XINHUA in English 0237 GMT 25 Jun 96

[FBIS Transcribed Text] Alma Ata, June 25 (XINHUA) — Kazakh President Nursultan Nazarbayev said today that a planned visit to the country by Chinese President Jiang Zemin is bound to usher in a new era in the history of bilateral relations between Kazakhstan and China.

In an interview with XINHUA, Nazarbayev said that Jiang's visit to Kazakhstan on July 4-6, the highest-level in the history of bilateral ties, will greatly promote their political and economic cooperation.

He said that Kazakh-Chinese relations have witnessed stable and rapid development since the central Asian country declared independence in late 1991.

There has been a frequent exchange of high-level visits between Kazakhstan and China and the two neighbors have enacted all legislation necessary for maintaining normal state relations, Nazarbayev said.

The Kazakh president spoke highly of a border treaty signed in the Chinese port city of Shanghai in April 1995 by China, Kazakhstan, Russia and two other former Soviet republics.

He praised the signing of the confidence-building treaty as "a great event" for Kazakhstan which has a 1,700-kilometer-long common border with China.

The treaty provides that troop movements in a 100-km zone along either side of the five nation's 7,654-km borders may be carried out only after informing the other side. Basic weapons and armor in the zone must be made known to each other.

Nazarbayev also expressed thanks to the Chinese people for providing a shortest trade route to the Pacific for his country.

The president said the Kazakh people are ready to get along well with their Chinese neighbors for the restoration and the prosperity of the historical "Silk Road."

Nazarbayev reiterated that Kazakhstan recognizes China's unification and territorial integrity while opposing any form of separatism.

Kazakhstan supports all the measures taken by the Chinese government in maintaining national unity, he added.

Nazarbayev also briefed XINHUA reporters about his country's economic reforms.

Since the issue of its own national currency in 1993, he said, Kazakhstan has made some achievements in its economic reforms, including a significant drop of inflation and an upturn in production this year.

He said that rich in resources Kazakhstan attracts much foreign investment and, in the previous year alone, western investors put 2 billion U.S. dollars in its oil and natural gas industries.

Kazakhstan hopes for investment by China's big companies, which is mutual-beneficiary, he added.

PRC: Russian Ambassador Reports on Bilateral Trade, Cooperation

OW2506110296 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1236 GMT 21 Jun 96

[FBIS Translated Text] Hong Kong, 21 Jun (ZTS) — Russian Ambassador to China Rogachev recently said in Harbin: According to Russian statistics, trade volume between China and Russia in the first four months of this year grew by 35 percent compared with the same period last year, and both sides have signed or are going to sign contracts for cooperative projects worth \$5 billion. He maintained that the future of trade and economic cooperation between China and Russia is bright and the trade volume is expected to quadruple by the year 2000.

In attending the opening of the Seventh Harbin Economic and Trade Fair, Rogachev said: In mid-June the Russian deputy prime minister in charge of trade presided over a meeting which highlighted the issue of trade and economic cooperation with China, and emphatically studied President Yeltsin's proposal for quadrupling the volume of Sino-Russian trade by the year 2000. Specific topics of discussion at the meeting included expanding border trade between China and Russia, establishing a Sino-Russian free trade zone, and building the Chita International Airport. In addition, issues concerning the establishment of a free trade zone between Manzhouli and Zabaykal'sk and the construction of the Heilongjiang Bridge between Heihe and Blagoveshchensk were also studied.

He said: Trade and economic cooperation between China and Russia have entered a new stage of development and the forms of bilateral cooperation have diversified, such as technical cooperation, production cooperation, and investment cooperation. The number of large-scale cooperative projects has increased and Russia is concentrating its efforts in bidding for the Three Gorges projects. Bilateral cooperation has continued to grow. Presently, projects of cooperation in the fields of energy, transportation, aviation, aerospace, satellites, and high technology are in progress or under discussion.

PRC: XINHUA Cites Russian Officials on Presidential Election

OW2106051696 Beijing XINHUA in English 0441 GMT 21 Jun 96

[FBIS Transcribed Text] Moscow, June 20 (XINHUA) — The second round of Russia's presidential election will be held on July 3 as scheduled, despite rumors of a coup attempt and the sacking of several senior officials, Russian President Boris Yeltsin's spokesman Sergey Medvedev said today.

Yeltsin today dismissed Aleksandr Korzhakov, head of the Presidential Security Service, Mikhail Barsukov, head of the Federal Security Service, and Oleg Soskovets, a first deputy prime minister.

The surprise sackings came three days after the president fired Defense Minister Pavel Grachev and appointed Aleksandr Lebed the new head of the powerful Security Council and his national security advisor.

Observers here say these developments will have a significant impact on the presidential vote and Russia's political structure.

The firing of Korzhakov and Barsukov was triggered by the arrest of two leading members of Yeltsin's campaign

staff by the Presidential Security Service on Wednesday [19 June] night.

Reports said the two men were carrying about half a million U.S. dollars in a box when they were arrested, and were released after hours of interrogation.

Their arrest was seen by some as an attempt to stage a coup to sabotage the second round of the presidential poll, which will be held on July 3 after no candidate won majority votes in the presidential election on June 16.

Medvedev said that the military general prosecutor had been appointed to investigate the "attempted internal coup."

On the dismissal of Soskovets, the spokesman said the president made the decision based on a report by Prime Minister Viktor Chernomyrdin, which accused the first deputy prime minister of committing serious mistakes in restructuring industry and converting the defense industry to civilian production.

Chernomyrdin at a cabinet meeting today appointed deputy prime minister Oleg Lobov to replace Soskovets.

The Russian prime minister also said that as the presidential runoff approaches, the government must be mobilized to garner every possible vote for the president.

Yeltsin also signed orders today appointing Yuriy Krapivin as the acting head of the Presidential Security Service and Nikolay Kovalov as the acting head of the Federal Security Service.

Yeltsin's main rival for the presidency, Communist Party leader Gennadiy Zyuganov, issued a statement today warning against "sabotaging the second round of presidential election and the unity of the country," and demanding that a fair election be held on the scheduled date.

PRC: 'Roundup' Views Yeltsin's Sacking of Entourage Members

*OW2106064796 Beijing XINHUA in English
0624 GMT 21 Jun 96*

[*"Round-up"* by Zhang Tiegang: "Yeltsin Revamps Inner Circle for Run-off Vote"]

[FBIS Transcribed Text] Moscow, June 20 (XINHUA) — President Boris Yeltsin sacked several key figures in his entourage in the space of three days in a bid to woo losers in the June 16 presidential poll and to unite his team for the July 3 runoff round.

Yeltsin, who will stand against communist leader Gennadiy Zyuganov on July 3, today fired First Deputy

Prime Minister Oleg Soskovets, Federal Security Service chief Mikhail Barsukov and top bodyguard Aleksandr Korzhakov. On Tuesday [18 June], he dismissed Defense Minister Pavel Grachev.

The shake-up drew quick praise from liberal economist Grigoriy Yavlinskiy, who finished fourth in the first round of the election and whose endorsement has been sought desperately by Yeltsin.

Yavlinskiy had conditioned his support on the firing of the four. But he said he would wait for Yeltsin's next step before deciding whether to throw his weight behind the president.

However, after Grachev's dismissal, he hinted at possible backing for Yeltsin when, in a television phone-in program Tuesday, he called on his supporters to vote against Zyuganov and not to vote against both.

Grachev's dismissal was the direct result of the promotion of his old foe, retired general Aleksandr Lebed, a black horse in the first round of the polls. Yeltsin appointed Lebed the new head of the powerful Security Council and his national security assistant.

Lebed came in a strong third in Sunday's polls with nearly 15 percent of the vote, behind Zyuganov's 32 percent and Yeltsin's 35 percent.

But it was unclear whether Lebed had a direct role in today's dismissals.

At a news conference, Lebed said that the decision to shake up the presidential team was taken by Yeltsin himself.

But he said that there had been an attempt to put the president under pressure by means of force, suggesting that there was a possible power struggle within Yeltsin's immediate circle, as alleged by Zyuganov shortly after the dismissals were announced.

Lebed was partly referring to the arrests Wednesday night of two of Yeltsin's leading campaigners on the orders of Korzhakov and Barsukov for allegedly taking out a large amount of hard currency from a government building.

Yeltsin's campaign chief Anatoliy Chubays, former first deputy prime minister and advocate of radical reform, seemed to confirm the suggestion of a power struggle, calling the four sacked officials "hard-liners" used to resolving issues by force.

He said the personnel changes signaled an end to the "tug-of-war" between the "democratic" and "hard-line" wings in the presidential team.

Chubays said that the "resolute" decision by Yeltsin to fire the four demonstrated his unique political potential. The presidential elections will be won by "a new Yeltsin with a new, renewed team," he added.

The Itar-Tass news agency said that the reshuffle defused a "bomb" planted under Prime Minister Viktor Chernomyrdin as Barsukov and Korzhakov had wanted Soskovets, their "godfather," to replace him.

Observers here believe the "tug-of-war" within the president's inner circle has been going on from the outset of the election campaign.

Itar-Tass said another reason for Korzhakov's ouster was his constant interference in political and personnel decisions. Yeltsin had told him "not to meddle in politics" after the bodyguard said publicly that the elections should be postponed, causing a furore in the Zyuganov camp and concern in Western capitals.

Presidential spokesman Sergey Medvedev said Yeltsin made the decision to remove the four men after thoroughly analyzing the situation and holding talks with Chernomyrdin, Chubays and Lebed.

"As a result, the president came to the conclusion that it was time to renew the team in order to avoid false rumors," he said.

Northeast Asia

PRC: RENMIN RIBAO on Japan's Nuclear Inclinations

HK2406092096 Beijing RENMIN RIBAO in Chinese
20 Jun 96 p 6

[Article by Chu Shulong (2806 2885 7893) and Yang Bojiang (2799 0130 3068); "U.S. Nuclear Protection and Japan's Nuclear Inclinations"]

[PTS Translated Text for FBIS] For a long time, Japan has done its utmost to prove itself to be a "nonnuclear state." As a matter of fact, according to the Japanese-U.S. relations of allies stated in the "Japanese-U.S. Safety and Security Pact," the United States takes the commitment of offering nuclear protection to Japan while Japan accepts and depends on the U.S. "nuclear protection umbrella." On this point alone, Japan cannot be regarded as a "nonnuclear state" in a real sense. Meanwhile, Japan's nuclear technology and ambiguous nuclear inclinations have enabled it to have a great nuclear potential. Hence, Japan is regarded by the international community as a "paranuclear state."

U.S. Nuclear Protection

Above all, Japan's acceptance of U.S. nuclear protection indicates that Japan has closely tied itself with the

world's most powerful nuclear power. There are 8 U.S. "trident" nuclear submarines loaded with strategic nuclear weapons, 37 nuclear offensive submarines loaded with tactical nuclear weapons, 107 surface vessels of the Pacific Fleet, and 370 aircraft sailing in the Pacific Ocean. These naval vessels and aircraft are loaded or can be loaded at any time with tactical nuclear weapons. U.S. aircraft carriers with nuclear capacity and other vessels use the bases in Japan's territory and surrounding waters as its mother base, the nuclear submarines loaded with strategic and tactical nuclear weapons can anchor and enter and leave Japan's ports and sail in Japan's waters all year round. There are more than 100 F-15 and F-16 aircraft, which can be equipped with tactical nuclear weapons, in Japan's Sanze [0005 3419] and other bases. The flying radius of these aircraft can reach Korea and China as well as the coastal areas in east Russia, and can refuel inflight and reach China and most of the areas in Russia's far east. Meanwhile, Japan, which enjoys multi-layer and all-directional U.S. nuclear protection, offers capital, material, base, communications, information, facilities, and services to U.S. military forces, including nuclear power, in the West Pacific Ocean.

According to the strategic U.S. nuclear principle, it has never undertaken the commitment not to be the first to use nuclear weapons and not to use nuclear weapons against nonnuclear nations and regions. In light of the U.S. nuclear strategy, nuclear protection offered by the United States to Japan includes "nuclear defense" as well as "nuclear offensive." The nuclear force of the United States in the Pacific Ocean and in the "forward position" of the Japanese territory and waters, not only defends Japan but also takes this as the base to carry out nuclear terrorism and offensive against the Asian region.

Japan's Nuclear Capacity

A "paranuclear state" with solid strength. Japan does not have material or technological difficulties in making nuclear weapons. This is the unanimous view of the relevant international fields. Russia's defense security expert (Vladimir Birov) believes that Japan could produce highly functional nuclear weapons in a year. Japan's military critic Jianghuotian Qianjie [3068 3499 3944 6197 0094] also acknowledged that Japan has the conditions in raw materials, technology, and capital for developing nuclear weapons.

With a large storage of plutonium, Japan is likely to become a big power in terms of nuclear raw materials. At present Japan mainly relies on Britain and France to recover plutonium from nuclear waste. According to bilateral agreements, Japan will import more than 30

tonnes of plutonium by the year 2010. At the same time, Japan also used 1,700 billion yen to build the world's largest facility for dealing with nuclear after treatment in Liusuo [0362 2076] village in Qingsen county [7230 2773], which would annually handle 800 tonnes of nuclear waste and recover 50 tonnes of plutonium by the year 2010. Plutonium is the "typical raw material" required for making nuclear weapons. A nuclear bomb similar to the one exploded in Nagasaki can be made with seven to eight kg of plutonium.

Japan's carrier technology has also reached a high level. Japan has a sound scientific, technological, and industrial foundation for developing missiles and rockets. In recent years, the country has rapidly developed its space technology. Japan launched its first H2 carrier rocket in February 1994 and its technology was by no means inferior to the intercontinental missiles deployed by the United States and Russia. The U.S. WASHINGTON POST commented on the matter and said that Japan can apply the rocket technology it has mastered to easily manufacture intercontinental missiles. Moreover, Japan is likely to have the technology for developing nuclear weapons.

Japan's territory is narrow and limited, which makes it impossible to conduct nuclear experiments at home. However, this does not constitute a technological obstacle to the development of its nuclear weapons. Some experts say that Japan possesses developed high-technology, particularly in the field of computers. "Even without nuclear tests, Japan can apply its supercomputer to simulate the entire process of nuclear explosion in three dimensional space."

Japan's Nuclear Inclinations

Japan had been involved in the secret development of the A-bomb as early as World War II. There were comments occasionally from the international community on Japan's secretly developing nuclear weapons after the war. Following the Cold War and along with the changes in the situation in the Northeast Asian region and the accelerated step taken by Japan toward its strategic target of becoming a political power, the question of Japan's "nuclear armament" has become prominent and has attracted the attention of the international community, the Asian nations in particular. Japan has found it difficult to cast away the label of "nuclear suspect" attached to itself.

Ambiguous "nuclear attitude." A report carried in WORLD in 1994 said that the "theory of Japan's nuclear armament" has "become a general impression" in the United States. This is a rational conclusion drawn by a number of influential experts based on their careful analysis.

Japan has taken a passive attitude toward extending the NPT [the preceding acronym given in English]. At the G-7 summit in July 1993, all participants, except for the host country Japan, called for the unconditional and indefinite extension of the NPT. Japan was opposed to the extension on the ground that in the Asia-Pacific "there may be some developments threatening Japan's national security" and that such a course would probably lead to "Japan being restricted in its option for action." The U.S. press circles gave a swift response to this, accusing Japan of "retrogressing from the 'three non-nuclear principles' it had upheld since the post-war years and containing the intention of developing nuclear weapons in the future." The international media pointed out, judging from the scale and technological level of its nuclear energy industry, Japan can obviously profit from its accession to the NPT. Its opposition is obviously based on the judgment that it would be more favorable to the national interests to conduct nuclear development with military implications rather than on economic and technological considerations. It actually wants to leave some margin for nuclear armament.

From time to time, important Japanese government officials have hinted at the "margin for nuclear development." In the spring of 1993, at the Association of Southeast Asian Nations meeting in Singapore Japanese Foreign Minister Kabun Takeu stressed that if the United States should one day dismantle its "nuclear umbrella," "it would be very important for us to have the self-confidence to be able to make nuclear weapons." It was the first time the Japanese Government indicated in the post-war years that the possibility of making nuclear weapons "cannot be excluded." In June 1994, Japanese Prime Minister Tsutomu Hata told reporters that Japan "has the capability to develop nuclear weapons" but it "won't." This remark aroused widespread concern in the international media at that time. In fact, in the previous year, in response to an inquiry in the Diet a Japanese Government official said that "in the NPT there are clauses on withdrawal from it, making it possible to withdraw in the event of a war." Some Diet members of the Liberal Democratic Party also claimed that "Japan should not exclude the possibility of possessing nuclear weapons."

During the Sato cabinet in the 1960's, Japan set forth the "three non-nuclear principles," i.e. "not possessing, making, or bringing in" nuclear weapons. In fact, however, Japan has consistently accepted the U.S. policy of "neither confirming nor denying" the deployment or transfer of nuclear weapons and given tacit consent to U.S. nuclear submarines anchoring at or sailing in and out of Japanese ports, which is clearly in violation of the "three non-nuclear principles." As disclosed by the

Japanese media, it is during the Sato years that Japan secretly studied the development of nuclear weapons. A Japanese Foreign Ministry's secret document claimed at that time that "Japan has the capability of making nuclear weapons and it will not accept intervention from anyone." On 6 June 1994, in a "Position Paper on the Use of Nuclear Weapons" submitted to the International Court of Justice, the Japanese Foreign Ministry made clear the Japanese Government's "consistent view," i.e. "the use of nuclear weapons cannot be regarded as violating the international law." According to this formulation, since even the use of nuclear weapons cannot be regarded as violating the law, naturally it is seemingly even more unnecessary to be surprised at "possessing, making, and bringing in" nuclear weapons.

PRC: NPC Vice Chairman Wang Guangying Meets Japanese Visitors

*OW2306095396 Beijing XINHUA in English
0932 GMT 23 Jun 96*

[FBIS Transcribed Text] Beijing, June 23 (XINHUA) — Wang Guangying, vice-chairman of China's National People's Congress Standing Committee, met with Hiroshi Mitsuzuka, member of Japan's House of Representatives, and his China tour delegation here today.

Mitsuzuka once served as minister of International Trade and Industry, and foreign minister of Japan. The purpose of his current visit is to help promote the friendly exchanges between the peoples of the two countries.

PRC: KWP Secretary Meets Peace, Disarmament Delegation 17 Jun

OW2106144296 Beijing XINHUA Domestic Service in Chinese 1346 GMT 17 Jun 96

[By reporter Zhu Kechuan (2612 0344 1557)]

[FBIS Translated Text] Pyongyang, 17 Jun (XINHUA) — Hwang Chang-yop, secretary of the Korean Worker's Party [KWP] Central Committee met here today a delegation of the Chinese People's Association for Peace and Disarmament [CPAPD] headed by its vice president, Lin Huaxuan. The guests and host had a warm and friendly conversation.

Hwang Chang-yop welcomed the CPAPD delegation's visit. Hwang Chang-yop said: Upholding Korean-Chinese friendship is the behest of the late Korean President Kim Il-song, and is also a consistent principle of the KWP. The Korean people will develop, with the Chinese people, Korean-Chinese friendship generation after generation. The friendly exchange between the Korean National Peace Committee and the CPAPD will promote mutual understanding and cooperation

between the two organizations, which is conducive to consolidating and developing Korean-Chinese friendship.

Present at the meeting were Yi Song-ho, vice chairman of the Korean National Peace Committee, and Sui Xudong, the charge d'affaires ad interim to the Chinese embassy in Korea.

The CPAPD delegation arrived in Pyongyang on 12 June. For the last few days, they have exchanged views with the Korean National Peace Committee on how to safeguard world peace and other issues of mutual concern. They also exchanged information on the two friendly organizations' work. The CPAPD delegation will return to China on 20 June.

PRC: Delegations Visiting DPRK Meet WPK Secretary

SK2106014296 Beijing China Radio International in Korean 1100 GMT 20 Jun 96

[FBIS Translated Text] Hwang Chang-yop, secretary of the Workers Party of Korea [WPK] Central Committee, recently met with a delegation of the Chinese People's Association for Peace and Disarmament led by its Vice President Lin Huaxuan in Pyongyang.

The two sides held talks amid a warm and friendly atmosphere. Secretary Hwang stated that maintaining DPRK-PRC friendship is the consistent policy of the WPK, and that the DPRK people, together with the Chinese people, will develop DPRK-PRC friendship generation after generation.

Earlier, Secretary Hwang Chang-yop also met in Pyongyang with a delegation of the Central Party School of the Communist Party of China [CPC] led by Wang Jialiu, member of the CPC Central Committee and executive of the Central Party School.

In the meeting, Secretary Hwang emphasized that promoting exchanges between the party schools, which works as an important ideological position in the two parties of the DPRK and PRC, is of great significance for developing traditional friendship between the two parties and peoples of the DPRK and PRC.

PRC: Delegation From DPRK's Chagang Province Visits Jilin

SK2006032696 Changchun JILIN RIBAO in Chinese 28 May 96 p 1

[FBIS Translated Text] At the invitation of our province, the DPRK Chagang Province Amnesty Delegation, headed by Choe Chu-san, vice chairman of the Chagang Provincial Administrative and Economic Guidance Commission, arrived in Changchun on 26 May.

That night, Governor Wang Yunkun cordially met with the DPRK guests at Nanhu Guesthouse. On behalf of the provincial government and people, he extended a heartfelt welcome to Vice Chairman Choe Chu-san and his party. He said that Chagang Province is a close neighbor to Jilin Province, with long-term friendly associations. These friendly exchanges had been positive in developing the friendship between the PRC and DPRK and in enhancing the prosperity of Jilin Province and Chagang Province. Wang Yunkun also introduced to the DPRK guests the province's social and economic development, and the situation regarding industry, agriculture, and education.

Vice Chairman Choe Chu-san first expressed his gratitude to the reception by Governor Wang Yunkun and relayed a greeting from Chairman Kim Chung-ho. Following their visit to Changchun, the DPRK guests will visit Jilin, Songyuan, Siping, and Tonghua. Liang Jichang, director of the provincial foreign affair office, was present at the meeting.

PRC: PRC Reporter Visits DPRK's Sin No Cooperative Farm

HK2506052796 Beijing RENMIN RIBAO in Chinese
12 Jun 96 p 7

["Newsletter" Column dispatch by DPRK-based staff reporters Zhang Youxin (1728 0645 2450) and Zhao Ximing (6392 0823 7686): "Visiting Sin No Cooperative Farm"]

[PTS Translated Text for FBIS] Pyongyang—Sin No [2450 6424] Cooperative Farm is situated in Sinch'on County of the DPRK's South Hwanghae Province. Sin No farm is the DPRK's first cooperative farm. To implement Korean Workers' Party's principle of "putting agriculture in the first place," the farm's staff and workers are now enhancing unity, working hard, and striving to reap a good grain harvest this year.

We went the other day to visit Sin No Cooperative Farm. The farm's cultivation area totalled 730 ting bu (one ting bu equals 15 mu). The farm mainly grows paddy rice and corn, but also a small quantity of fruits, vegetables, medicinal herbs, and tobacco. It has an agricultural population of 2,700, including more than 1,200 agricultural workers. It has a team of tractors and some 100 seeders and harvesters. Kim Chin-kuk [6855 6651 0948], the farm's management committee chairman, said: Last year, despite poor objective agricultural conditions, we managed to mobilize the masses to collect fertilizer from a variety of sources to meet crop needs with the result that the farm's agricultural output did not decline by a large margin.

Kim Chin-kuk stated: "This year, the farm's spring plowing has proceeded smoothly. By 26 April, we had applied fertilizer and sown seeds on all farmland. To reap a good agricultural harvest this year, we started to turn 'slack season' into 'busy season' last winter." The farm demanded that cadres set good examples themselves and share weal and woe with the masses. By so doing, it successfully mobilized the masses. The farm's cadres joined hands with the workers in scooping up silt from a riverbed. As a result, it had fertilizer ready even before this year's spring plowing began. It also reclaimed uncultivated land on hills and on the edge of fields. On the farm, we could see crops growing everywhere. In a seed-breeding room, we saw several big pools full of crop seeds soaked in warm water. The pools were operated and managed by specialized personnel. The farm also successfully tackled problems like power supply for tractors and other types of farm machinery on its own.

On Sin No Cooperative Farm, we visited a science and technology room in which the farm's climatic charts, farm machinery manuals, vegetables plantation techniques, other charts, and specimens of soil, plant diseases, insect pests, and other material objects were on display. We were told that all staff and workers, including the farm's management committee chairman, attend agricultural science classes there. After work, a lot of staff and worker come to study and compare notes. Nearly 200 staff and workers have obtained technical titles or positions. The farm regularly invites teachers from agricultural science institutes to give on-site lessons to its staff and workers in the fields. After discovering a plant disease or an insect pest, it will immediately send relevant specimens to relevant institutes, which will then analyze and study it and find its cure.

Sin No Cooperative Farm's achievements are inseparable from management committee chairman Kim Chin-kuk's efforts. In December 1994, he gave up relatively comfortable living conditions in a city and returned to his hometown with his wife and children. Determined to do farm work, he unswervingly undertook the heavy task of managing the farm. Since then, Kim Chin-kuk has led the farm's staff and workers to overcome difficulties and reap agricultural harvests.

Pak Chong-kun [2613 2973 0689], the farm's party committee secretary, said: "Only by developing agricultural production and reaping good grain harvests will we be able to promote industrial development and raise living standards. The farm's party committee has been bent on developing agricultural production, for this is our key task." He added: "An important criterion for appraising the farm's party committee work is whether

the farm has reaped a good agricultural harvest." Management committee chairman Kim Chin-kuk confidently told us: This year, Sin No Cooperative Farm will certainly reap a better grain harvest as long as no serious natural calamities strike over the next few months.

Southeast Asia & Pacific

PRC: Spokesman Announces ASEAN Parliament To Visit 23-30 Jun

OW2006122596 Beijing Central People's Radio Network in Mandarin 1030 GMT 20 Jun 96

[From the "National Hookup" program]

[FBIS Translated Text] Foreign Ministry spokesman Shen Guofang announced at the press briefing in Beijing today that at the invitation of the Chinese National People's Congress Standing Committee, an ASEAN parliamentary delegation, led by (Uneh Basubakesuwang), chairman of the ASEAN Parliament and speaker of the Thai parliament, will pay a goodwill visit to China 23-30 June 1996.

Fielding a reporter's question on the agreement reached between China and the United States on intellectual property rights [IPR] protection, Shen Guofang said: China itself needs to protect IPR and to crack down on IPR infringement in order to carry out reforms, open up to the outside world, invigorate the economy, and develop science and technology. As far as the IPR issue between China and the United States is concerned, China, from the very beginning, firmly rejected the U.S. side's attempt to use the IPR issue to exercise pressure and impose trade retaliations against China. During the course of the latest negotiations, the Chinese delegation upheld the principles and safeguarded China's sovereignty and interests.

PRC: Further on Spokesman Reporting Visit by ASEAN Delegation

OW2006131996 Beijing XINHUA in English 1239 GMT 20 Jun 96

[FBIS Transcribed Text] Beijing, June 20 (XINHUA) — At the invitation of the Standing Committee of the National People's Congress, a delegation of ASEAN Inter-Parliamentary Organization (AIPO) led by Uneh Basubakesuwang, chairman of this session of AIPO and president of National Assembly of Thailand, will pay an official visit to China from June 23 to 30.

This was announced by Chinese Foreign Ministry Spokesman Shen Guofang at a regular press conference here today.

PRC: Qiao Shi Meets With ASEAN Parliamentary Group

OW2406153396 Beijing XINHUA in English 1423 GMT 24 Jun 96

[FBIS Transcribed Text] Beijing, June 24 (XINHUA) — Qiao Shi, chairman of the National People's Congress Standing Committee, said here this afternoon that he hopes relations between the NPC and ASEAN's Inter-Parliamentary Organization will continue to develop.

The statement came during a meeting with the organization's delegation led by Booneua Prasertsuwan, chairman of its current session and president of National Assembly of Thailand.

Qiao welcomed the delegation, saying that he hopes the NPC will further develop its friendly exchanges and cooperation with the organization. He said he also hopes the two will continue to increase ties.

Booneua Prasertsuwan said that the organization is a good friend of the NPC and that it enjoys close relations and cooperation with the NPC. He called the working meeting this afternoon between the delegation and the NPC's Vice-chairman Wang Hanbin "beneficial", adding that it will enhance cooperation between the two sides.

The delegation arrived in Beijing on Sunday [23 June] for its third visit to China at the invitation of the NPC standing committee.

PRC: Cambodian State Secretary Comments on Defense Policy

BK2006142596 Beijing China Radio International in Cambodian 1030 GMT 20 Jun 96

[FBIS Translated Text] In Phnom Penh, on 19 June, Ek Sereivoat, Cambodia's state secretary for national defense, said that the main point in Cambodia's national defense policy is to realize national unity and improve relations with neighboring countries.

Ek Sereivoat said this during a press briefing given at the Government House on the afternoon of 19 June to the military attaches of various countries in Cambodia and to foreign and local journalists.

Ek Sereivoat said that Cambodia will improve relations with neighboring countries so as to solicit more friends and reduce the number of enemies as much as possible. He said that Cambodia will continue to reform, train, educate, and command the armed forces so as to enhance their combat capability for the motherland's defense. At the same time, the armed forces must take part in national construction work so as to develop the national economy.

PRC: Mongolian President Meets Military Chief Fu Quanyou 20 Jun

*OW2006161296 Beijing XINHUA in English
1553 GMT 20 Jun 96*

[FBIS Transcribed Text] Ulan Bator, June 20 (XINHUA) — Mongolian President Punsalmaagiyn Ochirbat today said that his country backs the five-nation confidence-building accord which he said is conducive to maintaining peace and stability in the region.

Ochirbat, who also presides over the Mongolian National Security Commission, made this remark while meeting Fu Quanyou, Chief of General Staff of the People's Liberation Army of China.

An Agreement of Confidence-Building in the Military Field in Border Areas was signed in April in Shanghai by leaders of China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan.

Ochirbat said that the visits made by state and military leaders of Mongolia and China since 1990 have been important to the development of bilateral relations.

The president also extended gratitude to the Chinese government and people for their help and aid in the fight against a forest fire in Mongolia earlier this year.

The Chinese visitor said that it is his country's policy to develop friendly relations with Mongolia and that his country cherishes the well-established friendship between the two countries.

Fu arrived here last Saturday for a six-day official visit.

PRC: Premier Li Peng To Lead CPC Delegation to SRV Congress

*OW2206073696 Beijing XINHUA in English
0707 GMT 22 Jun 96*

[FBIS Transcribed Text] Beijing, June 22 (XINHUA) — Li Peng, member of the Standing Committee of the Political Bureau of the Central Committee of the Chinese Communist Party (CPC) and Premier of the State Council, is to lead a CPC delegation to attend the eighth national congress of the Communist Party of Vietnam (CPV), which is scheduled to open on June 28.

The CPC delegation will leave for Hanoi at the invitation of the CPV's Central Committee.

This was announced here today by a spokesman with the International Liaison Department of the CPC's Central Committee.

Near East & South Asia**PRC: Li Peng Pledges Support for Middle East Peace Process**

*OW1906093196 Beijing XINHUA in English
0843 GMT 19 Jun 96*

[FBIS Transcribed Text] Beijing, June 19 (XINHUA) — Chinese Premier Li Peng said today that China will continue its efforts in support of the comprehensive and fair settlement of the Middle East issue.

Li Peng made the remarks while meeting here with visiting Palestinian President Yasir 'Arafat.

Li said that since 'Arafat's previous visit to China, major progress has been made in the Middle East peace talks, especially in the Palestine-Israel negotiations, despite some setbacks and difficulties in the procedure.

China admires the "wise policies" adopted by the Palestinian leadership led by President 'Arafat, he noted.

The Arab nations recently have increased consultations and coordination, and soon will convene their summit, the premier said, adding that the Chinese government "sincerely wishes" the summit is successful.

The Chinese government will continue to support the Middle East peace process as well as the Palestinian people's cause to regain the occupied territory and to resume their legal national rights, Li told 'Arafat.

'Arafat said he is among friends when he is in China. He added that China has always supported the just cause of the Palestinian people, and has provided valuable help.

He noted that China's help has been indispensable to the progress Palestinians' cause, and that they will always remember this. [sentence as received]

The Palestinian leader said his country will continue to pursue the policy of promoting the Middle East peace process in spite of difficulties.

Palestine believes that peace will prevail, he said.

PRC: Jiang Zemin Greets Arab Summit in Cairo

*OW2206032896 Beijing XINHUA in English
0254 GMT 22 Jun 96*

[FBIS Transcribed Text] Beijing, June 22 (XINHUA) — Chinese President Jiang Zemin Friday [21 June] sent a congratulatory message to the Arab Summit Conference which is set to be open in Cairo on June 22.

The conference is held when the Middle East peace process entered a significant period, said Jiang in his message.

"I believe that the summit conference will have positive effect on the solidarity of the Arab countries, the promotion of the Middle East peace process as well as the maintenance of the regional peace, stability and development," added Jiang.

President Jiang also stressed that his country will, as always, support the Middle East peace process and do what it can to help comprehensively solve this regional issue on the basis of the United Nations resolutions.

The two-day Arab summit, the largest gathering of Arab leaders in six years, is aimed at forging a common Arab stand to back the Middle East peace process on the basis of the principle of "the land for peace."

PRC: XINHUA Reports on Mubarak's Speech to Arab Summit

*OW2206140796 Beijing XINHUA in English
1308 GMT 22 Jun 96*

[By Liu Rong and Meng Xin]

[FBIS Transcribed Text] Cairo, June 22 (XINHUA) — Egyptian President Husni Mubarak stressed here today the importance of closing Arab ranks and urged Israel to strictly fulfill its pledges and commitments within the context of the Middle East peace process.

In his opening speech at a pan-Arab summit, which is being held at the Cairo International Conference Center, Mubarak said the expanded summit is aimed at realizing the aspirations of the masses and expressing the Arab nation's determination to close ranks.

He called for adopting a unified Arab stand and formulate an integrated vision of the future with all its dangers, aspirations and challenges.

The summit was held in response to a call made by a tripartite summit of Egypt, Syria and Saudi Arabia earlier this month.

Mubarak said: "The issue of paramount importance to all of us and to our peoples is to close Arab ranks, clear the atmosphere and enhance Arab solidarity and cooperation within the context of a unified goal and destiny, in order to confront the great challenges ahead of us."

He said the Arabs should discuss together and move toward defending their national security as one man in facing dangers and threats without an encroachment on the rights and interests of others.

"We are a nation that bears no grudge against anyone for we believe in co-existence in justice with other nations," he noted.

A rift has arisen among the Arab countries because of Iraq's August 1990 invasion of Kuwait and other inter-Arab disputes. Iraq was not invited to attend the current summit, which drew 21 of the Arab League's 22 member states.

"The current international regional changes make it incumbent upon us to adopt a unified stand and coordinate our efforts in a bid to reach a clear-cut strategy of our collective relations with the new world and the huge economic blocs which emerged during the past few years," said Mubarak, who is the host of the summit.

He also referred to a proposal he presented in March 1995 to prepare a new Arab code of honor to evade devastating differences in the Arab family in the future and contain any disputes so as to avoid further escalation of tension.

Mubarak reaffirmed that peace to the Arab nation is an inalienable strategic goal. He put forward some points to clarify his envision of peace:

— First, "we seek to realize a comprehensive and just peace which will continue until the goal agreed upon by the parties is attained;"

— Secondly, the negotiations cannot be carried out in a vacuum, but rather are governed by the Madrid framework, namely, the commitment to U.N. Security Council's Resolutions 242, 338 and 425 as well as the principle of "land for peace;"

— Thirdly, it is unacceptable for any party to seek to destroy this legal fact;

— Fourthly, no party has the right to rule out or avoid tackling any point in the negotiations;

— Fifthly, goodwill in negotiations requires all parties to commit themselves to the honest and accurate implementation of any agreements reached;

— Sixthly, "we ask Israel ... To strictly fulfill its pledges and commitments within the context of the peace process, away from any threats or attempts to impose a status quo, or adopting extremist stances that do not abide by concluded agreements;"

— Seventhly, realizing an equitable and comprehensive peace is the sole means to achieve security and stability for all parties.

Mubarak said: "We call upon the new Israeli government to cooperate with us so as to complete the peace process without slackness or hesitation. We call upon the Israeli government to prove its commitment to real peace known to the international community, not more and not less."

In Israel, hardliner Benjamin Netanyahu has won the May 29 elections to replace Shimon Peres as prime minister. The new Israeli government has pledged to continue the Middle East peace process with neighboring Arab states.

But, in the meantime, the Netanyahu government opposes the establishment of an independent Palestinian state and the return of the Golan Heights to Syria, and insists on a united Jerusalem under Israel's sole sovereignty.

The two-day Arab summit is expected to issue a final communique, which will be publicized upon its conclusion late Sunday.

PRC: Vice Premier Meets Iranian Minister of Energy

*OW1706120296 Beijing XINHUA in English
1157 GMT 17 Jun 96*

[FBIS Transcribed Text] Beijing, June 17 (XINHUA) — Chinese Vice-Premier Wu Bangguo met with Iranian Minister of Energy Bijan Namdar-Zangeneh and his party here this afternoon.

Namdar-Zangeneh arrived here today for a visit at the invitation of the Ministry of Machinery Industry (MMI).

MMI Minister Bao Xuding held talks with Namdar-Zangeneh earlier today, when they exchanged views on ways to expand bilateral co-operation in the fields of machinery industry and energy.

PRC: Nepalese Parliament Delegation Returns Home After Visit

*OW1706152996 Beijing XINHUA in English
1504 GMT 17 Jun 96*

[FBIS Transcribed Text] Kathmandu, June 17 (XINHUA) — A Nepali parliament delegation led by Speaker Ram Chandra Poudyal returned here today after a week-long goodwill visit to China.

Talking to reporters at the airport, Speaker Poudyal said the delegation's visit has further deepened the friendly relations existing between Nepal and China.

There is no complicated problem between the two neighboring countries, he said.

According to Parliamentary Affairs Minister Narhari Acharya who is also member of the delegation, during their stay in China, the delegation held talks with senior Chinese leaders on bilateral friendly relations and the issues of Taiwan and Tibet.

Nepal has been supporting the Chinese government on the two issues and reiterating its policy of not allowing any anti-China activity on the Nepalese soil.

The 13-member Nepalese delegation left here on June 8 to visit China at the invitation of the National People's Congress of China.

PRC: XINHUA Reports on Jiang Zemin's Talks With Yasir 'Arafat

*OW1806135396 Beijing XINHUA in English
1341 GMT 18 Jun 96*

[FBIS Transcribed Text] Beijing, June 18 (XINHUA) — Chinese President Jiang Zemin said today in Beijing that the Chinese government and people will continue to support the Middle East peace process and the just struggle of the Palestinian people.

During talks with Palestinian President Yasir 'Arafat this afternoon, Jiang said the current visit of 'Arafat will further promote the all-round development of Sino-Palestinian friendly relations.

'Arafat, noting this is the first time he came to China directly from Palestine's own territory, said he expects the visit to yield "positive results."

Jiang said the founding of Palestine's autonomous transitional government marks an "important step" in the Palestinian people's struggle for restoring their national legal rights, and "the Chinese government and people heartily rejoice at that."

Over the past years, progress has been made in the Middle East peace process, Jiang said, adding he believes that to realize the goals of peace and stability at an early date represents the strong wish of all people in the Middle East region.

Jiang wished that positive results be made at the forthcoming Arab summit.

'Arafat said the Palestinian people hope that the Arab summit will help promote the Middle East process.

Palestine will, as always, stand for the promotion of the Middle East process and adopt a flexible attitude in striving for fair, comprehensive and lasting peace in the region, the Palestinian leader said.

Jiang and 'Arafat also exchanged views on regional and international issues of common concern.

'Arafat arrived in China last night as Jiang's guest. This is 'Arafat's 10th China visit, and his first trip in this country after he was elected president of the Palestinian National Authority in January.

During the talks, Jiang congratulated 'Arafat on the election.

Following the talks the two heads of state attended the signing ceremony of two documents between the

two governments, namely the Economic and Technical Cooperation Agreement and the Banking Agreement on Accounting Procedures for the implementation of the previous agreement.

PRC: Li Peng Holds Talks With PLO Leader

*OW1906050996 Beijing XINHUA in English
0403 GMT 19 Jun 96*

[FBIS Transcribed Text] Beijing, June 19 (XINHUA) — Chinese Premier Li Peng met with Palestinian President Yasir 'Arafat in Zhongnanhai, the headquarters of the Chinese government, here this morning.

Earlier, Yasser Arafat had a meeting with Qiao Shi, chairman of the Chinese National People's Congress Standing Committee.

President Arafat arrived here Monday [17 June] night at the invitation of his Chinese counterpart Jiang Zemin, who held talks with 'Arafat Tuesday.

The Palestinian leader is scheduled to leave here later today.

PRC: 'Arafat Ends State Visit, Leaves for Vietnam

*OW1906074596 Beijing XINHUA in English
0734 GMT 19 Jun 96*

[FBIS Transcribed Text] Beijing, June 19 (XINHUA) — Palestinian President Yasir 'Arafat ended his state visit to China and left here for Hanoi this afternoon.

'Arafat told a news conference before departure that he has had "important, successful and fruitful discussions" with the Chinese leaders, including President Jiang Zemin, Premier Li Peng and Chairman of the National People's Congress Standing Committee Qiao Shi during his stay here.

'Arafat, now on his 10th visit to China, said he is "proud of the strong relationship with the Chinese leadership and the Chinese people."

He thanked China again for its "continued and consistent support to the just cause" of the Palestinian people.

The Palestinian leader said the agreement on economic and technical cooperation and another attached document signed by the two governments Tuesday [18 June] marks a concrete outcome of his visit.

He added that the Chinese side has agreed to offer help in the construction of an industrial zone in his country.

On the Middle East issue, 'Arafat, who was elected president of the Palestinian National Authority in January, reiterated that his country will continue to be "completely committed" to the Middle East peace process.

'Arafat arrived here Monday night at the invitation of Chinese President Jiang Zemin.

PRC: Qiao Shi Tells 'Arafat Beijing Supports Middle East Peace

*OW1906085596 Beijing XINHUA in English
0835 GMT 19 Jun 96*

[FBIS Transcribed Text] Beijing, June 19 (XINHUA) — Qiao Shi, chairman of the Standing Committee of the Chinese National People's Congress, said here today that China will, as always, support the Middle East peace process and the just struggle of the Palestinian people.

During a meeting with visiting Palestinian President Yasir 'Arafat, Qiao expressed his appreciation for the President's efforts to establish friendship between China and Palestine, saying that his current visit would help reinforce bilateral ties.

He said that the Palestinian people have set up national authority on their own territory, which is resultant from the prolonged struggle under the leadership of the Palestine Liberation Organization.

Although the path leading to the overall settlement of the Middle East issue remains long and tortuous, Qiao noted, the peace process in this region represents the general trend.

With the concerted efforts of both Palestine and Israel, as well as the assistance from the international community, the Palestine issue will be resolved, he said.

'Arafat expressed his pleasure over his visit to China and the opportunity to reunite with old friends. He thanked the Chinese government and people for their consistent support for the just cause of Palestine and the Middle East peace process.

PRC: Li Peng Meets Pakistan's Chief of Army Staff

*OW2406122196 Beijing XINHUA in English
1155 GMT 24 Jun 96*

[FBIS Transcribed Text] Beijing, June 24 (XINHUA) — Chinese Premier Li Peng said here today that his country will, as always, work for friendly relations and cooperation with all its neighboring countries.

During a meeting with Pakistan's chief of army staff, General Jehangir Karamat, Li said the relations between China and Pakistan have been growing smoothly over the past several decades.

No matter how the international situation changes, he said, Sino-Pakistani friendly relations remain unchanged.

Meanwhile, he noted, the armed forces of the two countries "have maintained good cooperative relations" and their military leaders have had a frequent exchange of visits. This has laid a solid basis for the continued growth of friendly relations between the two armed forces, he added.

China, pursuing a good-neighborly foreign policy, hopes to have a favorable surrounding environment, Li said. China will continue to strive for friendly relations with all its neighboring countries including Pakistan.

Karamat told Li that the Pakistan government and people and their armed forces attach great importance to the friendly relations with China and always count on China as a trustworthy friend.

He expressed the belief that Pakistan-China friendship will be further consolidated and developed through the joint efforts of both sides.

The current China visit by Karamat is his first trip abroad since he became Pakistan's chief of army staff.

PRC: Defense Minister Meets With Pakistani Army Chief

*OW2406132296 Beijing XINHUA in English
1303 GMT 24 Jun 96*

[FBIS Transcribed Text] Beijing, June 24 (XINHUA) — General Chi Haotian, vice-chairman of the Central Military Commission, met here this afternoon with General Jehangir Karamat, Pakistani Chief of Staff of the Army, and his party.

During the meeting, Chi, who is also defence minister, extended his welcome to Karamat, saying that, since China and Pakistan established diplomatic relations over forty years ago, relations between the two countries and two armies have enjoyed a smooth development.

He pointed out that China adheres to an independent diplomatic policy and also attaches great importance to friendly relations with the peoples of other countries. He said he believes that Karamat's current visit will promote friendly ties between the two.

The defence minister also briefed the guests on China's domestic situation. China has political stability, economic development, and ethnical unity, and military development that has kept pace, he said.

General Karamat said that Pakistan has a tradition of friendly relations with China and good cooperation between the two armies.

The two exchanged views on other issues of mutual concern. Karamat also conveyed an invitation extended by Pakistan's defence minister to Chi for a visit to Pakistan at his convenience, which Chi gladly accepted.

PRC: Economic, Commercial Delegation Visits Yemen

*OW2306000896 Beijing XINHUA in English
1949 GMT 22 Jun 96*

[FBIS Transcribed Text] Sanaa, June 22 (XINHUA) — A Chinese economic and commercial delegation headed by Sun Guangshang, assistant minister of foreign trade and economic cooperation, arrived here today for a three-day visit to Yemen.

The visiting Chinese delegation will participate in meetings of the fourth session of the Sino-Yemeni Joint Committee due to open today.

In his press statement upon arrival in Sanaa, the head of the Chinese delegation said that the leaderships of China and Yemen have largely contributed to boosting the ties of friendship and economic and technical cooperation between the two countries.

He said that the volume of trade between the two countries, which amounted to 400 million U.S. dollars last year, is constantly growing.

Sun said that the Sino-Yemeni Joint Committee would discuss a number of issues on aspects of cooperation between the two countries.

The Sino-Yemeni Joint Committee held its third session in Beijing in June, 1992.

West Europe

PRC: Spokesman Says Conditions Not Favorable for Kinkel's Visit

*OW2306141696 Beijing XINHUA in English
1409 GMT 23 Jun 96*

[FBIS Transcribed Text] Beijing, June 23 (XINHUA) — China has decided to postpone the visit of German Vice Federal Chancellor and Foreign Minister Klaus Kinkel to China on July 11, a spokesman of the Chinese Foreign Ministry said here today.

"Present conditions are not favorable for Kinkel's visit to China from July 11 to 14. Therefore, the Chinese side has decided to postpone this visit," the spokesman revealed.

He pointed out that the German Government adopted an anti-China resolution in relation to Tibet on June 20 in spite of repeated and serious protests by the Chinese.

"This action of the federal parliament is an open violation of international principles and gross interference in China's internal affairs, severely hurting the feelings of the Chinese people," the spokesman emphasized. "For

this reason the Chinese lodged a protest and expressed strong displeasure and indignation to the German side."

The Chinese Government attaches great importance to maintaining friendly relations and cooperation with Germany, he said. "The recent disruption in Sino-German relations was unilaterally caused by Germany," the spokesman noted, adding that "the Chinese side sincerely hopes the German side will take clear steps to promote the sound development of Sino-German ties, protecting the fundamental interests of the peoples of the two countries."

PRC: Jiang Zemin Lauds Sino-Spanish Ties on Arrival 24 Jun

*OW2406171696 Beijing XINHUA in English
1709 GMT 24 Jun 96*

[FBIS Transcribed Text] Madrid, June 24 (XINHUA) — Chinese President Jiang Zemin arrived here today for a four-day state visit to Spain to "deepen understanding, increase trust, expand common ground and promote cooperation."

In a written statement at the airport, Jiang, who was greeted by Spanish Foreign Minister Abel Matutes and other senior officials, said that China attaches great importance to its friendly and cooperative relations with Spain.

He said that in recent years, bilateral cooperation in all fields has made encouraging achievements thanks to the joint efforts of the two sides.

"To strengthen Sino-Spanish friendly cooperation is not only in conformity with the interests of the two peoples, but also beneficial to peace, stability and development in the world," Jiang said.

He said that Spain is a great country. "The Spanish people, with its diligence and wisdom, have made great contributions to world civilization and human advancement," Jiang noted.

"Today the Spanish people is playing a more and more important role in safeguarding world peace and furthering international cooperation," Jiang added.

The Chinese president said he believes that his visit will be a complete success.

During the visit, Jiang is expected to hold talks with King Juan Carlos I and Prime Minister Jose Maria Aznar on bilateral relations, international issues and topics of common interest.

Later, King Juan Carlos I presided over a grand welcome ceremony at the Pardo State Guest House in honor of the Chinese president and accompanied him in reviewing a guard of honor of the Spanish armed forces.

Jiang arrived here after a short stay on the Spanish island of Majorca in the Mediterranean Sea.

Spain is the first leg of Jiang's six-nation European and Asian tour, which will also take him to Norway, Romania, Uzbekistan, Kyrgyzstan and Kazakhstan.

PRC: Jiang Visit Terned 'New Milestone' in Sino-Spanish Ties

*OW2406172196 Beijing XINHUA in English
1652 GMT 24 Jun 96*

[FBIS Transcribed Text] Madrid, June 24 (XINHUA) — Spain must continue developing good relations with China which "will become one of the biggest economic powers in the world in the next 25 years," the local newspaper EL PAIS said today.

EL PAIS (THE NATION) was one of the influential Spanish newspapers that carried articles on Chinese President Jiang Zemin's four-day official visit to Spain beginning today.

The papers, which included EL MUNDO (THE WORLD) and ABC, said that the Chinese president's trip is of great significance in the history of Spanish-Chinese ties and will further strengthen political and economic relations.

Business leaders also hailed Jiang's visit.

Enrique Fanjul, president of the Spanish-Chinese Enterprise Committee, told XINHUA that Jiang's visit "is a new milestone in the political and economic relations between Spain and China."

"President Jiang's visit comes at an important moment as China is now carrying out its new five-year economic plan. Many Spanish entrepreneurs hope to take the advantage of the current visit to play a bigger role in China's economic development during this period," he added.

During his visit, Jiang is expected to meet King of Spain Juan Carlos I and Prime Minister Jose Maria Aznar to discuss bilateral and international issues.

Spain is the first leg of Jiang's six-nation European and Asian tour, which will also take him to Norway, Romania, Uzbekistan, Kyrgyzstan and Kazakhstan.

Political & Social**PRC: Chen Xitong Reportedly Under House Arrest in Inner Mongolia**

HK2506060896 Hong Kong TUNG FANG JIH PAO in Chinese 25 Jun 95 p a7

[Report: "Chen Xitong Has Been Under House Arrest in Baotou in Inner Mongolia"]

[PTS Translated Text for FBIS] According to a report from Beijing, at present, Chen Xitong, former member of the Political Bureau of the CPC Central Committee and secretary of the Beijing Municipal CPC Committee, is still in custody and under investigation. However, on the eve of the spring festival this year, the location of detention was changed from the suburbs of Beijing to an isolated villa in a guesthouse in Baotou city in Inner Mongolia. It has been learned that Chen Xitong has currently been deprived of freedom; he is not even allowed to take a walk outside the villa. But his wife is expected to come to live with him next month.

Chen Xitong has been put under house arrest at the Qingshan Guesthouse, which is located in the Qingshan district of Baotou city. It is a guesthouse of the Baotou City CPC Committee. The main building of the guesthouse is open to both domestic and foreign guests. But there are also landscaped villas in the guesthouse compound generally reserved for state leaders.

Sources reveal that Chen Xitong is currently under house arrest in a villa surrounded with tall cypresses. The villa is guarded by a squad of the armed police force.

It has been learned that for the sake of maintaining secrecy, the authorities prohibit Chen Xitong from leaving the villa, whereas other guests and general attendants of the guesthouse are not allowed to be close to the villa.

It has been revealed that when an earthquake occurred in Baotou on 3 May, discipline inspection officials responsible for Chen's investigation and members of the armed police force in charge of security were very nervous. They wanted to move him elsewhere immediately. But Chen himself was very calm. After judging the intensity of the earthquake, he thought that it was not dangerous to stay inside the villa. But the armed policemen were worried about accidents. They even intended to drag him out of the villa. Chen rebuked them angrily, saying: "I am not afraid of death." He held on to the last, and refused to leave.

PRC: Qiao on Separating Legislative From Law-Enforcing Roles

HK2506064296 Hong Kong PING KUO JIH PAO in Chinese 25 Jun 96 p 12

[Report by special correspondent Pi Ping (3968 5493); "Qiao Shi Proposes Officials Not Be Elected People's Congress Deputies, Localities Be Allowed to Legislate in Light of Local Situation Ahead of Central Authorities"]

[PTS Translated Text for FBIS] A mainland source said that Qiao Shi, chairman of the National People's Congress [NPC] Standing Committee, had recently delivered an important speech at the Central Party School, proposing for the first time that public servants should not be concurrently people's congress deputies, as they are now, so that a person will not play a legislative, law-enforcement, and supervisory role simultaneously.

In addition, Qiao Shi pointed out that various levels of people's congresses are allowed to introduce legislation in light of local needs ahead of central legislation, adding that this will help strengthen the legal system in a comprehensive way.

Qiao's Speech Was Not Relayed Through Inner-Party Channel

Beijing analysts said that Qiao Shi had constantly stressed the need to strengthen the legal system over the last few years and had thus enhanced his prestige to a certain degree among people's congress deputies. This suggests that he hopes to seek more open support and the support in terms of the legal principle from people's congress deputies to balance Jiang Zemin's increasingly consolidated power.

It is learned that Qiao Shi's speech had not been discussed by the CPC's top echelon, so it only represented his personal view. But Qiao's speech has been communicated to provincial-and municipal-level people's congresses as a non-party document through the people's congress's own channel.

The Practice of Concentrating Legislative and Law-Enforcing Powers in the Same Person Under Fire

In his speech, Qiao Shi pointed out that as the highest organ of state power, the NPC should be entrusted with real power. But many people's congress deputies are concurrently civil servants now. They pass laws at the people's congress sessions, enforce the laws themselves, and then play a supervisory role. This has made it difficult for the law to be enforced in a perfect way.

Qiao added. He then put the following questions up for consideration: If a civil servant chooses to act as a people's congress deputy when elected, should he resign from the post as civil servant or not? Should a civil servant be elected a people's congress deputy or not?

Besides, Qiao also said that localities should be allowed to introduce legislation to meet the needs of local economic development ahead of relevant central legislation. But the legislation must be submitted to the NPC for approval or registration, and be subjected to supervision by the Bureau of Legislative Affairs under the State Council. If local legislation gives undue stress to local interests, the state will exercise its power to order modification.

It is also learned that in his speech, Qiao mentioned the process of democratization in China for the first time. He said democratization must be pursued in a prudent and down-to-earth rather than a rash manner. He called on people's congress deputies to cherish long-term ambitions in this respect and to strengthen China's legal system.

In another development, in meeting with a visiting congressional delegation of the Association of Southeast Asian Nations (ASEAN) yesterday afternoon, Qiao hoped China's NPC will maintain and develop friendly exchanges and cooperation with ASEAN congresses, to promote development of ties in every field.

PRC: XINHUA Reports on Li Peng's Interview With Paper

*OW2406131996 Beijing XINHUA in English
1315 GMT 24 Jun 96*

[FBIS Transcribed Text] Beijing, June 24 (XINHUA)—Chinese Premier Li Peng said that conditions are now ripe for China to join the World Trade Organization (WTO).

The premier made the remark during his June 7 interview with Peter Montagnon, Asia editor of Britain's FINANCIAL TIMES.

China has made repeated efforts in the past to re-join the General Agreement on Tariffs and Trade, and is working diligently for its acceptance into the WTO, and conditions are now ripe. The problem now is when the WTO is going to accept China's application.

Li said that China never set a deadline for its WTO accession because that is not up to China to decide. The WTO should make a clear-cut decision on China's membership, he said.

China has reiterated it is willing to shoulder the obligations necessary for membership, and it should receive its due rights, the premier said.

Li said that China has lowered its import tariffs by 36 percent this year — something other countries may not have done.

And China has promised to further lower its import tariffs to the average level of developing countries, Li added.

Despite its extensive efforts, China is still barred from the World Trade Organization, Li said, adding that "we do not believe it is only an economic issue, nor a trade issue."

China's accession has become a political issue, for certain countries, out of their own political needs, try to hinder China's entry into the WTO, Li said.

China will suffer if it cannot become a WTO member, but the WTO also will suffer without China's involvement, the premier pointed out. "As I once said in Paris not long ago, without China's participation, the WTO is not qualified to be called the World Trade Organization, and it's better for it to be renamed as the regional trade organization."

Preventing China from joining the WTO can by no means hamper the development of China's trade with foreign countries, because China's sustained economic growth and huge market is a reality, the Chinese premier said.

China's purchase of a number of aircraft from the European Airbus Industrial Corporation was made without the WTO's permission, the premier cited.

Now the world's major aircraft producers have come to China to compete for a share in the China market, Li said. These businesses have never rejected China's orders because China is not a WTO member, he said.

PRC: Further on Li Peng's Interview With Paper

*OW2406132596 Beijing XINHUA in English
1314 GMT 24 Jun 96*

[FBIS Transcribed Text] Beijing, June 24 (XINHUA)—Chinese Premier Li Peng said that China will certainly maintain its good momentum for development.

Interviewed on June 7 at Zhongnanhai by Peter Montagnon, Asia editor of Britain's FINANCIAL TIMES, Premier Li talked about China's economic prospects, the Chinese government's stand on entering the World Trade Organization (WTO), China's investment environment, Sino-US relations, and the Taiwan and Hong Kong issues.

In reply to a question concerning China's economic prospects, Li said, "Since China's reform and opening up 18 years ago, the country's economic development has enjoyed a considerable rapid growth with roughly an annual increase rate of about 9 percent. The issue has aroused concern from the foreign media, who wondered whether China could maintain the growth rate. The answer is certain and the objective could be reached.

"Last October," he said, "when I met with Canadian Prime Minister Jean Chretien and nine governors in Canada, I explained in detail why China would continue its good economic growth. To make it short, China has found a correct path for its development, with a long-term stable political situation, fairly rich material and technological foundation, enhanced comprehensive national strength, a broad market and great need for investment and consumption. What's more, the Ninth Five-Year-Plan and the long-term objectives for the next 15 years will be a great spiritual force for mobilizing the Chinese people in the modernization drive.

"The above-mentioned documents mainly illustrate two shifts and two strategies," the premier said. "The first shift is from the traditional planned economy to the socialist market economy, which has been underway for more than ten years, but is not yet finished. China has adopted way of gradually changing and constantly summing up its experiences so as to maintain a steady political situation.

"The second shift is from extensive economic growth to intensive. In other words, to change from emphasizing quantity to stressing efficiency. To accomplish this, industrial structures should be further adjusted, advanced technology should be widely used, and consumption of energy and raw materials should be reduced and resources rationally allocated.

"As for the two strategies, one represents the sustained development which is discussed internationally. The other stresses building up the country through technology and education, placing more emphasis on education, science and technology, and developing productivity through progress in science and technology, while improving labor quality by enhancing education," Li said.

PRC: Li Peng Comments to Paper on Investment Environment

*OW2406134496 Beijing XINHUA in English
1343 GMT 24 Jun 96*

[FBIS Transcribed Text] Beijing, June 24 (XINHUA) — Chinese Premier Li Peng said recently that China's investment environment has improved.

During an interview with the London-based "FINANCIAL TIMES," Li said that China will, under the guidance of its industrial policy, continue to increase efforts in agriculture and other basic and leading industries.

Infrastructure construction has witnessed considerable improvement, and both investment and consumption demands are large, he said. Foreign investors have noticed the stable investment climate in China, and are willing to direct their financial backing to China, Li said.

So far, China has absorbed a total of 120 billion US dollars of investment, the premier said.

China welcomes foreign investment for infrastructure construction, and also foreign cooperation for upgrading medium and small-sized Chinese enterprises in the light and textile industries, he said. Cooperation in the service industry has had a good start and is expected to expand, he added.

The Premier advised foreign investors to continue to study the Chinese market, saying this will help them invest wisely.

During the past few years, Li said, real estate investors have built many luxury hotels, office buildings and villas, and now development in these areas far exceeds market demands.

Some markets, such as consumer electric appliances, have been saturated.

However, certain industries have great investment demand; the installation rate of telephones in China is under 5 percent, far below that of developed and even some developing countries, Li said. With an annual increase of 15 million phones, China's telephone market is the world's largest.

China's electric power industry also shows great potential, and the country has to add annually a generating capacity of 15 million kilowatts to meet the need of the economic growth, the Premier noted.

Li said that China welcomes foreign companies to join it in the exploration of both land and offshore oil, and that results can be developed through joint investment. China also welcomes foreign cooperation in transport and communications, he said.

PRC: Li Peng Comments to Paper on Sino-U.S. Ties

*OW2406135996 Beijing XINHUA in English
1401 GMT 24 Jun 96*

[FBIS Transcribed Text] Beijing, June 24 (XINHUA) — Chinese Premier Li Peng said that China hopes to develop its ties with the United States on the basis

of three joint communiques signed between the two countries.

Li said that China's principle for handling its relations with the US, proposed by Chinese President Jiang Zemin, includes increasing mutual trust, reducing problems, developing cooperation and avoiding confrontations.

The Chinese premier made the remarks in Beijing during his interview with Peter Montagnon, Asia editor of Britain's "FINANCIAL TIMES," on June 7.

Li said China realizes that the US government and its people are experiencing a heated debate over America's relations with China. Despite differing opinions, the majority of people believe that the US should have contact with China no matter who is president or which political party is in power, he added.

He said that it is encouraging that most US people believe their country should adopt a policy of engagement with China, rather than containment.

But there remain differences as well as common interests between China and the US, and some Americans insist on implementing containment to China, exerting pressure upon China on some issues and interfering with China's internal affairs, the premier said.

In this regard, Li said, China will stick to its principles and will not give in.

At the heart of Sino-US relations is the Taiwan issue, the premier said. Relations between China and the US will improve and develop if the US will strictly observe the three joint communiques in practice, instead of in theory.

Li said that China hopes its relations with the US will advance smoothly during this American presidential election year, and that the two countries can resolve their differences through consultations on equal footing.

Li said that China also hopes Sino-US trade and economic cooperation will develop on the basis of equality and mutual benefit, and that more US businesses will be involved in the Chinese market.

The Chinese are not at fault for the failure of some US businesses to enter the Chinese market, such as in the auto industry, nuclear power stations and the Three Gorges project, he said.

Based on their experiences with US partners, Chinese businessmen have concluded that their cooperation with European partners is less politically charged than it is with the United States, which frequently claims it will exert sanctions on China, thus politicizing the trade and economic ties, Li said.

Chinese businessmen working with US partners often fear that the US government might introduce a political element into trade relations, resulting in their losses, Li said.

He said he hopes this situation will change.

PRC: Li Peng Comments to Paper on Direct Contacts Across Strait

*OW2406142396 Beijing XINHUA in English
1426 GMT 24 Jun 96*

[FBIS Transcribed Text] Beijing, June 24 (XINHUA) — Chinese Premier Li Peng said that there should be direct mail, trade, air and shipping services between the Chinese mainland and Taiwan as early as possible.

During an interview with the London-based "FINANCIAL TIMES" on June 7, Li said that for now, to establish direct mail, trade, air and shipping services is the common goal of people from both Taiwan and the mainland.

The Taiwanese, especially figures in the industrial and commercial circles, are eager to accomplish this, however, the Taiwan authorities have avoided the issue by creating obstacles that prevent direct contact between the two sides, Li said.

Such actions are harmful to economic and trade cooperation, and are against the will of the people, he noted.

Li pointed out that China's basic policy of "Peaceful reunification; and one country, two systems" has never changed in regard to the Taiwan question.

The mainland cannot be held responsible for any single case of tension between the two sides, Li said.

If only the Taiwan authorities really give up their attempt to create "Two Chinas," "One China, One Taiwan," or the "Independence of Taiwan," relations between the two sides across the Taiwan straits will be improved and developed, he added.

PRC: Li Peng: Objective To Build Modernized Socialist Country

*OW2406151396 Beijing XINHUA in English
1513 GMT 24 Jun 96*

[FBIS Transcribed Text] Beijing, June 24 (XINHUA) — China's objective is to build a modernized socialist country with prosperity, democracy and advanced culture, Chinese premier Li Peng has stressed.

During this process, Li said, China will strengthen its legal system by using the Chinese Constitution and laws as a foundation, rather than the laws of the United States and the United Kingdom.

In an interview with reporters from the British FINANCIAL TIMES on June 7, Li said China's style of democracy suits China's conditions.

"We hold that China's political system of the National People's Congress and the multi-Party cooperation, coupled with the system of political consultation under the leadership of the Chinese Communist Party, is well-suited to the Chinese conditions," he said. By upholding these systems, China is expected to greatly advance the country's socialist democracy and the development of its legal system, he said.

Li said in the world today there are different views on human rights. The Vienna Declaration and Program of Action adopted in June 1993 proclaims not only the universality of human rights but also their peculiarity. It acknowledges that the right to development is universal and inseparable, and is a component of basic human rights.

Therefore, human rights cannot be simply interpreted as political rights: They also should embrace the rights of existence and development. These rights are especially important to developing countries, Li stressed.

Given this, it is irrational and impossible to require all countries in the world to accept the West's view of what is valuable, and to require that four-fifths of the world's population should accept the view on human rights held by one-fifth of the world's population, Li said.

In today's world of constant, profound changes, individual countries should decide, according to their conditions, what type of social system they want to follow and what development path they plan to take, Li said.

"One should learn to acknowledge the diversity of the world and the differences between nations, and people should respect each other and try to seek common ground while letting differences exist," Li noted.

China's economic development and the reform of its economic structure will undoubtedly be coupled by the deepening of the country's reform of the political structure. The result should enable the government to become more efficient and the people to enjoy the ability to exercise their rights, the premier said.

China's reform of its political structure would by no means be a copy of the West's model, but should be done in line with China's conditions and with Chinese characteristics, he said.

The FINANCIAL TIMES reporters conducted their two-week coverage of China to prepare stories for special editions on China in the Times. The reporters also interviewed leaders of Chinese Ministries and Commissions, and heads of financial institutions.

PRC: Jiang Addresses Nonparty Figures 18 Jun
OW2206011096 Beijing XINHUA Domestic Service in Chinese 1450 GMT 18 Jun 96

[*"Jiang Zemin Speech at a Non-Party-Figures Meeting Held by the CPC Central Committee on 18 June 1996"* — XINHUA headline]

[FBIS Translated Text] Beijing, 18 Jun (XINHUA) — Comrades:

On the eve of the 75th anniversary of the founding of the CPC, it is very meaningful for some leading comrades of the CPC Central Committee, leaders of the central committees of the various democratic parties and the All-China Federation of Industry and Commerce, and well-known public figures without party affiliation to get together to discuss state affairs.

Comrade Wang Zhaoguo just briefed us on the recent inspection of the Beijing-Kowloon railroad and some provinces and cities along the railroad. On behalf of the central committees of their respective democratic parties and the All-China Federation of Industry and Commerce, comrades have taken the floor to discuss their thoughts on the inspection tour and offered their opinions and suggestions on quickening the pace of construction in old revolutionary areas along the Beijing-Kowloon railroad and in the Shenzhen Special Economic Zone. Your opinions and suggestions are very good. On behalf of the CPC Central Committee and State Council, I, Comrade Li Peng, Comrade Ruihuan, and Comrade Rongji hereby express our heartfelt thanks to you for your full support for the party's and government's work.

Many veteran comrades at this meeting, disregarding their old age of 80 or 90, travelled a few thousand km during the recent inspection tour and wracked their brains offering opinions and suggestions while they traveled. This spirit is truly respectable. Through this inspection tour, you can further understand the great importance of constructing the Beijing-Kowloon railroad and of speeding up economic development in the central region; you can further see that the party and government are extremely concerned about the production work, reform, and construction in the old revolutionary bases and poor areas, and about the lives of the people in those bases and areas; and you can further see those people's respectable spirit of persistently relying on themselves and working diligently against difficulties. In the Shenzhen Special Economic Zone, I am sure you personally felt the zone's vitality and vigor and have deepened your understanding of the correct decision of the CPC Central Committee and Comrade Deng Xiaoping to

establish special economic zones. As you mentioned through the inspection tour, you convincingly saw the socialist system's advantage of pooling resources to carry out major undertakings. As you said, in particular, you have gained a more complete and in-depth understanding and comprehension of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, and have become even more confident and full of hope about the development prospects of our socialist modernization drive.

In your speeches you offered many pertinent opinions and suggestions on how to speed up reform, opening up, economic construction, and social development in areas along the Beijing-Kowloon railroad and in the special economic zone. This once again indicates the closely cooperative relations between the various democratic parties and the CPC, which are characterized by working together invariably with one heart and one mind and treating each other with all sincerity. This also once again demonstrates the political advantage of multi-party cooperation and pooling everyone's wisdom and efforts under the CPC's leadership. The CPC Central Committee and State Council will instruct and urge concerned departments to seriously study the opinions and suggestions you offered and to endeavor to put them into practice.

Since 1993 the CPC Central Committee United Front Work Department has organized leaders of the central committees of the various democratic parties and All-China Federation of Industry and Commerce and public figures without party affiliation to inspect the Three Gorges Project, Shandong Province, southern Jiangsu, and Pudong; and it recently organized an inspection tour of the Beijing-Kowloon railroad and some provinces and cities along the railroad. These inspection tours have been welcomed by non-party comrades. Facts show that selectively conducting some special inspections in a planned manner is a good way to step up and deepen investigations and studies, as well as a good way for democratic parties leaders and public figures without party affiliation to participate in and discuss government and political affairs and to exercise democratic supervision. CPC committees and governments at all levels should create better conditions for democratic parties leaders and public figures without party affiliation to better understand the national conditions and people's wishes. And, they should regularly consult with and seek advice from non-party figures and earnestly solicit their opinions in order to jointly advance our reform, opening up, and socialist modernization.

The Ninth Five-Year Plan and the long-term target for the year 2010 have been decided. To translate this cross-century grand construction blueprint into practice is a

common historical mission of the ruling party and the various democratic parties, which serve as political parties participating in the administration of state affairs. To completely accomplish this grand mission and, on this basis and with another few decades' hard work, to successfully achieve the country's modernization goals, we must rely on the great unity of all Chinese people, including people of all nationalities and all democratic parties, civic organizations, and figures without party affiliation; we must rely on the great unity of all patriotic sons and daughters of the Chinese nation, including compatriots on the mainland, in Taiwan, Hong Kong, and Macao, and our countrymen living overseas; and we must more effectively pool and make use of the whole nation's will, wisdom, and efforts. I hope that all democratic parties, the All-China Federation of Industry and Commerce, and public figures without party affiliation will continue to closely work around the state's central tasks; will give full play to their positive roles in coordinating social relations, defusing social contradictions, and maintaining social stability; and will assist the party and government in further securing and developing the current political stability and unity. I also hope that all democratic parties will continue to make use of their advantage in having abundant specialized personnel and intelligent people and extensive connections; and, through various channels and in various forms, will make new and greater contributions to the nation's reform, construction, and reunification.

In your speeches, you expressed your approval and support for my emphasis at the Fifth Plenary Session of the 14th CPC Central Committee that leading cadres must be politics-minded, and pledged that leading cadres of democratic parties also should be politics-minded. This indicates that we have an in-depth common understanding of this issue. Paying attention to correctly observing, analyzing, and handling issues from a political point of view; paying attention to properly handling the relationship between politics and economy; and constantly adhering to the correct political course, in order to provide a powerful political assurance for the country's economic development and advancement of our undertakings in all fields — these are a good tradition of our party, as well as an important historical experience jointly gained by our party, the various democratic parties, and public figures without party affiliation, in the course of their long struggle through thick and thin. You are of the opinion that attaching importance to politics also is a need for democratic parties to actively dedicate themselves to building socialism with Chinese characteristics; a need to uphold and refine the multi-party cooperation and political consultation system under the CPC's leadership in the new period; as well as a need to adapt to the new international and domestic situa-

tions and to stay politically sober and resolute. I am all with you. In the course of revolution and construction over the last half century and more, all democratic parties have self-consciously subjected themselves to the CPC's leadership, have established close relations of "long-term coexistence, mutual supervision, treating each other with all sincerity, and sharing weal and woe" with the CPC, and have withstood all kinds of trials. In the new historical period, the arduous task of reform and construction and the complicated and ever-changing international situation demand that, in light of the new historical conditions and new social practice, we further strengthen and develop the closely cooperative relations between CPC and all democratic parties and public figures without party affiliation. This itself is an important political issue.

In conclusion, I would like to stress that CPC committees and governments at all levels should fully understand the importance of united front work in the new period; should further build up the multi-party cooperation and political consultation system under the CPC's leadership; should support and assist democratic parties in building up themselves; should endeavor to create better conditions for democratic parties to perform political consultations, to exercise democratic supervision, and to participate in and discuss government and political affairs; and should adhere to the principle of widening the channels of discussions, extensively soliciting good suggestions, complying with public opinion, and making more friends, in order to raise our party's united front work to a new level.

PRC: Circular Calls For Control of Foreign TV Broadcasts

OW2406105096 Beijing XINHUA Hong Kong Service in Chinese 0901 GMT 21 Jun 96

[FBIS Translated Text] Beijing, 21 Jun (XINHUA) — The Ministry of Radio, Film, and Television issued a circular on 20 June, calling on radio, TV, and cable TV stations at all levels to further strengthen the management of radio and TV broadcasts to improve the overall quality of radio and TV programs broadcast.

The circular says: Radio, TV, and cable TV stations at all levels must strictly observe the various regulations concerning the management of radio and TV programs. Censorship [shen cha 1399 2686] of programs before broadcast should be stepped up. Programs broadcast should follow the correct orientation and help promote reform, development, stability, and the building of socialist spiritual civilization. They should be suitable for China's national conditions and in accordance with the aesthetic standards of most audiences. They should be especially beneficial to the physical and psychological

health of juveniles. Vulgar programs, programs with unhealthy ideological tendencies, and pirated programs are strictly forbidden.

The circular demands that TV and cable TV stations at all levels strictly control the ratio of overseas films and TV movies to the total volume of programs broadcast, not exceeding 15 percent of the "golden hours" viewing between 1800 and 2200.

The ministry, which implements the unified censorship system on overseas films and TV movies, demands that all localities strictly comply with the requirement of sending films and TV movies to be broadcast to the ministry for censorship.

The circular urges radio, TV, and cable TV stations at all levels to strengthen the management of directly broadcast programs. Radio, film, and television administrative departments in all localities should earnestly inspect radio and TV and cable TV stations under their jurisdiction; and should duly punish, in accordance with the relevant regulations, stations which broadcast programs in violation of the regulations.

PRC: Qiao Shi Inspects Three Gorges Project

OW2506055696 Beijing XINHUA Domestic Service in Chinese 1349 GMT 20 Jun 96

[Article by XINHUA reporter Liu Siyang (0491 1835 2254): "Properly Build the Three Gorges Project To Benefit the People — Factual Report on Some Leading Comrades of the Standing Committee of the National People's Congress (NPC) Inspecting the Three Gorges Project"]

[FBIS Translated Text] Beijing 20 Jun (XINHUA) — This is a trans-century project and its scale is so large that it has attracted worldwide attention.

Chairman Qiao Shi, Vice Chairmen Ni Zhifu, Li Ximing, Wang Bingqian, Wang Guangying, Buhe, and Tomur Dawamat, and Secretary General Cao Zhi went down from Chongqing along the Chang Jiang by ship from 14 to 18 June to inspect the ongoing Three Gorges Project. 1.

The Three Gorges Project, which had been a dream for more than 70 years and whose feasibility had been expounded and proved for more than 40 years, was examined and approved by the NPC and listed in the Ten Year Program for National Economic and Social Development. The construction of the project formally started more than one year ago. It has universally attracted attention at home and abroad. The NPC has also paid great attention to the construction of the project.

As soon as he got on board a ship on the afternoon of 14 June, Qiao Shi stressed that it is necessary to gain a better and deeper understanding of the situation of the construction of the Three Gorges Project, and to promote and support the smooth progress of the construction of this trans-century project through this inspection tour.

The construction of the pivotal works of the Three Gorges Project was the key point of the inspection. As soon as they embarked on the ship on the morning of 14 June, Chairman Qiao Shi and others listened to a report on the situation of construction made by Guo Shuyan, vice chairman of the Three Gorges Project Construction Committee of the State Council. After that, no matter whether they were attending an informal discussion meeting or carrying out an on-the-spot inspection, Qiao Shi and other leading comrades who joined the inspection tour often discussed with Guo Shuyan and people in charge of Sichuan and Hubei Provinces the quality of the construction of the Three Gorges Project, fund-raising, management structure, relocation of local people, environmental protection, and other issues.

Sandouping is the site for the dam of the Three Gorges Project. Here, a huge magnificent dam will be built to cut off the Chang Jiang to form the world's largest reservoir and the world's largest hydropower station will be built. On the morning of 17 June, the sun was scorching and Qiao Shi and others with him came to inspect the worksite. They climbed up to Tanziling, the Three Gorges command site 262.48 meters above sea level, which gives a full view of the entire worksite. Lu Youmei, president of the China Three Gorges Project Corporation, briefed them on the project. After the big dam is completed, its height will be 185 meter, the normal water-storage mark will be at 175 meters, and the total storage capacity of the reservoir will be 39.3 billion cubic meters. At present, the construction of major works is progressing smoothly. The river is expected to be cut off at the scheduled time.

Standing before the general layout map of the Three Gorges Project, Qiao Shi asked: "What is the technological level of the 700,000 kw hydraulic generator group?"

Lu Youmei said that the scale, the difficulty in design and construction, and some parameters are at the forefront of the world. However, the two generator plants in China at present can only manufacture 320,000 kw hydraulic generators. The Three Gorges Project Construction Committee of the State Council has decided to invite, once and for all, international tenders for all the 14 generator groups on the left bank. These tenders must guarantee quality and must jointly design and manufacture the generators in cooperation with manu-

facturers in China. Through the transfer of technology, China's technology for manufacturing hydraulic generator groups will be further developed.

Tomur Dawamat, who was also listening to the briefing, said happily: "This method is good." Ni Zhifu also said: "Importing technology through inviting tenders is very good. The essential thing is to really carry it out. We must take over the technology in real earnest through inviting tenders."

"It has changed, completely changed!" said Cao Zhi excitedly, looking at a tremendous slogan "Construct the Three Gorges, Develop the Chang Jiang" on the opposite bank. Before the NPC examined the Three Gorges in 1991, he and Vice Chairman Chen Muhua led an NPC inspection group on an inspection tour here. At that time, what they saw were only small hills. At present, those hills have been leveled and the gullies are being filled.

Wang Guangying shared the same feelings. In 1991 he led an inspection group of the Chinese People's Political Consultative Conference to the Three Gorges and he strongly suggested that we should "make up our minds and start the project as soon as possible." Inspecting the Three Gorges again after the project had started for more than one year, all sorts of feelings welled up in his heart. He said to a local comrade in charge: "The Three Gorges Project is a trans-century project which benefits our children and grandchildren. We must try our best to properly carry it out." He suggested that funds should be raised through multiple channels and methods, and should be used rationally. He said we should strive to lower construction costs while ensuring the quality of the project.

On the worksite of the surface works of the permanent ship lock on the left side of Tanziling, excavators, bulldozers, and heavy-duty trucks kept coming and going and the officers and men of the armed police hydropower corps were busily working despite very high temperatures. Since the construction of the permanent ship lock started in April 1994, the first-phase project of the lock has been completed ahead of schedule. At present, 1.8 million cubic meters of earth and stone of the second-phase project have been excavated. Watching the builders working in the scorching sun, Qiao Shi said to the person in charge: "Please convey our cordial regards to all the builders."

"The most perilous part of the 10,000-li Chang Jiang is the Jing Jiang." On the morning of 18 June, Qiao Shi and others also inspected the Jingjiang Dam, an important dam for protecting the Jianghan Plain from floods, regarding it a focal point of their inspection. Jia Zhijie, secretary of the Hubei Provincial CPC Committee, and

others, briefed Qiao Shi and others on the dam. Through constant consolidation, the flood resisting capacity of Jingjiang Dam has markedly increased. However, there are still a small number of hidden troubles of the dam to be eliminated. Crumbling off of the banks has not yet been put completely under control, and leaking through the foundation may also cause problems. Qiao Shi, Li Ximing, Wang Bingqian, and Buhe put forward that consolidation of the Jingjiang Dam should continue to constantly increase its flood-resisting capacity both before and after the completion of the Three Gorges Project. II.

In the Three Gorges Project, the most worrying issue is the relocation of local people. In a period as long as 20 years, the total number of people to be relocated will exceed 1 million.

On the morning of 14 June, Qiao Shi and others listened to reports on the relocation of people from the reservoir areas made by Xie Shijie, secretary of the Sichuan Provincial CPC Committee, and Gan Yuping, Sichuan's vice governor. The submerged reservoir areas of the Three Gorges Project in Sichuan include 18 counties, cities, and districts with a population of 714,900 people of Wanxian City, Fuling City, Chongqing City, and Qianjiang Prefecture. Because of the increase in population and other factors, a total of 1.07 million people will have been relocated by the time the project is completed in 2009.

Qiao Shi and other leading comrades attentively listened to the reports, making jottings and raising questions from time to time. Qiao Shi said that if the problem of relocation of the local people is not properly solved, a big hidden trouble will remain even after the Three Gorges Project is completed. We must uphold the development-oriented relocation policy and seriously draw on the historical experience and lessons in water conservation construction of our country.

On the morning of 15 June, Qiao Shi and others inspected the new county town of Yunyang County, Wanxian City, Sichuan Province, a point for the relocation of people from the reservoir areas, and another focal point of the inspection. After the completion of the Three Gorges Project, 84 percent of the old county town will be submerged. After learning about the planning for the construction of the new county town, Qiao Shi and other leading comrades visited the homes of some relocated families.

On their way back by car, Wei Yizhang, mayor of Wanxian City, reported that Wanxian City has adopted various ways to relocate the people. Some people have arranged to take up agricultural production, some have arranged to process agricultural and sideline products,

and others have arranged to take up tourist jobs. Qiao Shi said: "In relocating people, it is precisely necessary to use various channels and methods. We should improve the living standards of the people relocated and, at the very least, should not lower their living standards."

Tomur Dawamat also stressed that the work of relocation not only requires the joint efforts of Sichuan and Hubei, but also requires the support of the whole country."

III.

They watched and thought while they were going from place to place. The spirit of overcoming difficulties to build their homeland of the cadres and people of the reservoir areas, and the style and features of taking up arduous work and going all out have left a deep impression on Qiao Shi and others. Through the 5-day inspection tour, they all thought that the construction of the pivotal works of the Three Gorges Projects and the work to relocate people from the reservoir areas are progressing smoothly and that the face of the dam area and the reservoir areas has undergone great changes.

During the inspection, Qiao Shi and others also put forward to departments concerned and local people in charge of suggestions and proposals on some issues related to the construction of the project. In view of the situation that a small number of towns, cities, and factories of the reservoir areas have taken advantage of relocation work to blindly expand or to do things on an excessive scale, Qiao Shi gave his advice to local leadership: The economic construction of the reservoir areas is rather backward. Some problems already existed in the past. In the course of solving these problems, we should take long-term interests into consideration and should act according to our capability. We should handle one matter after another and should do our work in a down-to-earth manner.

Environmental protection and dealing with pollution is a topic often discussed during the inspection tour. While inspecting the planning for the construction of the new county town of Yunyang County on the morning of 15 June, Ni Zhifu asked a local person in charge: "Why is it that there is no sewage treatment in the planning for the construction of the new county town?" A person in charge of Wanxian City said that they were submitting a plan for a waste water treatment plant to departments concerned. Ni Zhifu reminded him: "Sewage pipes have to be laid underground when the construction of the county town starts." After getting on the car, he again stressed that in relocating a city or an enterprise, we must consider the issue of environmental protection and

should never allow the Chang Jiang to be polluted by industrial waste water and sewage.

Both Li Ximing, Wang Bingqian, Wang Guangying, Huhe, and Cao Zhi, who were now on the second inspection tour of the Three Gorges, and people in charge of various NPC special committees who were also on the inspection tour thought that we should not belittle the issue of pollution of the Chang Jiang. Li Ximing said: "At present, more land has been reclaimed on both banks of the Chang Jiang. This will easily lead to new soil erosion. We must stop the practice of blindly reclaiming land." Wang Bingqian suggested that the industrial structure of the economy of the long strip of land along the Chang Jiang be adjusted and that industries which do not cause pollution or which cause less pollution be developed. Besides, buildings and other abandoned materials left behind in the relocation should be cleared up in good time.

The 5-day inspection was short, but it made a deep impression on them. Building the three gorges and developing the Chang Jiang is the idea of several generations of Chinese. As long as various quarters make concerted efforts, a magnificent view of a large reservoir in the Three Gorges area will certainly emerge at an early date.

PRC: Beijing Views Unemployment as Top Problem
HK2406090196 Hong Kong MING PAO in Chinese
17 Apr 96 p 1

[Article by special correspondent Yuen Yuen [5913 1254]: "China Places Unemployment on Top Priority Among Matters To Be Resolved in Respect of People's Livelihood"]

[PTS Translated Text for FBIS] Results of a recent survey conducted by the relevant departments of the Chinese Government on workers in state enterprises show that the significant increase in "factors of instability" in state enterprises due to heavy deficits, arrears in the payment of wages, unemployment and other reasons has become a very major problem which is affecting social stability.

Authoritative sources in Beijing note that following the sustained decline in the high rate of inflation, there has been a shift in the principal contradiction in China's economic and social life. Today, the plight of the 10 million [number as published] unemployed and underemployed has become a problem of top priority to be resolved in the improvement of the people's livelihood.

After the conclusion of the NPC and the CPPCC last March, the Secretariat of the Central Committee and

the State Council conducted a special study on the problem of unemployment which NPC deputies and CPPCC delegates had made a strong case for. The decisionmaking hierarchy called on all departments and local governments at all levels to attach great importance to the Re-employment Project in the same way as they tackled the problem of inflation last year in order to ensure that 2.5 million unemployed "staff and workers" will be able to rejoin the workforce this year.

In response to the call of the Central Committee and the State Council, the State Planning Commission swiftly submitted a report on this year's employment situation in China. The Ministry of Labor also quickly summoned a National Work Conference on Employment, and quickly announced a decision to increase the number of pilot cities for the "Re-employment Project" from 50 to 200. The State Statistical Bureau also decided to conduct quarterly surveys on the unemployment situation beginning in the fourth quarter of this year in order to assist the State Council in its preparation for the establishment of a national system for unemployment forecasting, warning, monitoring, and control.

Sources have also disclosed that Beijing's top leaders are demanding that the current employment policy be readjusted and that the existing practice of relying totally on the state and on state enterprises to provide jobs be done away with in favor of a practice where all economic entities have a role to play in creating jobs. At the same time, "part-time work," "flexible work," "temporary work" and other forms of employment shall also be encouraged to relieve the pressure of unemployment. In view of the mounting pressure of unemployment, the State Council has also called on academic institutions to provide the basis for the defining of a "reasonable rate of unemployment" in China. Statistical departments have also established an unemployment forecasting and warning system and made comprehensive analysis and dynamic comparisons of the unemployment situation in the country so that decisionmaking departments can take contingency measures well beforehand.

The report submitted by the State Planning Commission on China's unemployment situation in 1996 points out that if enterprises are allowed to lay off surplus labor (that is, redundant workers) by one more percentage point, the unemployment figure in society will be increased by 1 million. The official figure published by the State Statistical Bureau is that some 5.2 million urban residents were registered as unemployed at the end of 1995, giving an unemployment rate of 2.9 percent.

The actual number of people unemployed or forced to "leave the workplace" (underemployed) is far greater

than the official figures because China uses a different set of statistical indicators. A more objective view is that there are about 10 million unemployed or underemployed in China. According to forecasts made by key coal mines in the country, 500,000 people are currently unemployed, and this massive labor force will be a constant source of social unrest with their demands for employment and livelihood support. Last year there were several occasions when thousands of people went to Beijing to petition on their grievances. Vice Premier Zhu Rongji reportedly wrote the following in an internal reference document: "State enterprises are experiencing difficulties, and the situation is worst in the coal industry."

Moreover, a mainland professional notes that state enterprises must transfer or reassign at least 20 million "surplus" (redundant) laborers in the course of the Ninth Five-Year Plan. These redundant workers will be aged between 26 and 44, and over 50 percent of them will be people with a junior secondary education. Assimilating these labor resources will be no easy task during the transition of the Chinese economy in the direction of better economic results.

The Chinese government officially adopted the concept of the "unemployment rate" in 1994, and began launching the re-employment project for the unemployed in the same year. The Ministry of Labor confirmed that this project was launched in 50 cities in 1995, and that 1.4 million unemployed persons were reemployed under this project.

However, the Chinese Government's efforts in controlling the disorderly flow of surplus rural labor to cities and towns have not been too successful. Experts predict that another 130 million surplus rural laborers will shift to the cities over the next five years. They will contend for their "rice bowl" with the existing army of unemployed. Handicapped by a shortage of funds, China has not yet been able to establish an unemployment relief fund or employment fund. Meanwhile, coverage provided by the unemployment insurance system, which is only a few years old, is minimal. Thus, unemployment has become a heavy burden.

Workers of State Enterprises Involved in Disturbances, 10 Major Factors of Instability

On the other hand, a recent survey by relevant departments of the Chinese Government on workers in state enterprises shows a substantial increase in "factors of instability" in state enterprises. Among the findings of the survey are 10 major factors which have given rise to instability in enterprises.

The survey, conducted by the city party committees and city political and legal affairs committees of Sichuan's Chongqing, Neijiang, Zigong, and Panzhihua cities, shows that well over 50 percent of the total number of disturbances which had occurred in these four cities involved state enterprises. Workers of state enterprises were heavily involved in these disturbances. In some cases, over 1,000 workers were involved. Most of the workers who caused trouble often "went to extremes." They would present petitions, appeal to the higher authorities, take part in demonstrations, block roads and bridges, and hold up traffic. Their actions seriously affected normal life and transport in the cities and undermined social stability.

The following are the 10 major factors which give rise to instability in state enterprises:

- The change of operational mechanism in enterprises invariably touches on the immediate personal interests of some workers.
- Some of the policies and measures for the establishment of a modern enterprise system cannot dovetail with one another for the time being. The three "millstones" of old age pension and insurance for employees of state-owned enterprises, re-employment for the unemployed, and community services run by enterprises cannot be discarded in the near future.
- The acceleration of the practice of allowing state enterprises to be sold or to go bankrupt makes it more difficult for workers to take care of their basic livelihood needs and find re-employment.
- The flow of manpower and material and financial resources resulting from the development of medium-sized and large state enterprises into groups or companies gives rise to all kinds of contradictions.
- The situation where many enterprises are running at a loss will remain unchanged for some time to come.
- Defaults of payments between enterprises are so serious that enterprises are unable to sustain simple reproduction and workers cannot feed themselves.
- Mismanagement, poor internal security and an increase in economic crimes have made some workers feel pessimistic about enterprise reform.
- Problems left by history have a strong impact on production in enterprises.
- Workers are strongly resentful of corrupt and other unsavory practices on the part of their cadres.
- Disputes triggered off by competition between enterprises will become more acute.

Experts point out that the above-mentioned contradictions and problems may culminate in disturbances and even trigger off mass unrest. These will result in upheaval in enterprises or in isolated areas, and may even affect reforms as a whole. Thus, they have called on state enterprises to attach great importance to contradictions and problems arising from reform, and to take effective measures to stabilize themselves.

Science & Technology

PRC: Song Jian Discusses Science Work

*OW2006145796 Beijing LIAOWANG in Chinese
6 May 96 No 19, pp 10-11*

[Report from "Special Interview" column by staff reporters Sun Yinglan (1327 5391 5695) and Yuan Wei (5913 2712): "Song Jian, State Councillor and Minister of the State Commission of Science and Technology, Talks About Strategy for Scientific and Technological Development During the Ninth Five-Year Plan Period"]

[PTS Translated Text for FBIS] The "Ninth Five-Year Plan and Program for Long-Term Objective for 2010 for National Economic and Social Development," adopted by the fourth session of the Eighth National People's Congress, placed the strategy for making the country prosperous through science, technology, and education and the strategy for sustainable development in a very important position. Recently, Song Jian, state councillor, minister of the State Science and Technology Commission, and deputy head of the State Science and Technology Leading Group, spoke to LIAOWANG about the overall situation of our country's scientific and technological reforms and development and other relevant issues, including the strategy for scientific and technological development under the Ninth Five-Year Plan.

Song Jian said: In today's world, economic competition and the competition in science and technology are becoming increasingly white-hot. Scientific and technological strength has become a decisive factor in measuring a country's international status and overall national strength. History has left us with only one choice, namely, to strive for China's prosperity by relying on scientific and technological progress. This is an important safeguard for realizing the two fundamental changes and a natural choice for achieving economic invigoration, social development, and national prosperity. He specially pointed out that making the country prosperous through science, technology, and education concerns all trades and professions and is a common task for the whole nation. As long as the people of the whole nation work together, making our country prosperous, a long-cherished dream of the Chinese nation, is bound

to come true in our generation or in the generations to come.

Brilliant Achievements in Science and Technology Under the Eighth Five-Year Plan

Song Jian said: The Eighth Five-Year Plan for Scientific and Technological Development was one of the best executed five-year plans since the founding of New China. Under the leadership and support of the party center and the State Council, the guiding ideology, principles, and objectives of scientific and technological work were increasingly clarified; the body of policies and legislation gradually improved; and significant achievements were made in scientific and technological reforms and development. Effectively driven by the strategy for "making the country prosperous through science, technology, and education," great importance was attached to scientific and technological work across the board and an excellent picture of promoting economic and social development by relying on scientific and technological advances was taking shape.

During the Eighth Five-Year Plan period, revolving around the objectives and tasks of national economic construction, a strategic setup was formed in scientific and technological work with three levels, namely, orienting to national economic construction as the main field of operation, developing high technology and its derivative industries, and strengthening basic research. The science and technology management system was switched to a new one catering to the socialist market economic system and conforming to the law of scientific and technological development itself. The overall structure of scientific research institutions went through major changes; the cooperation between scientific research institutes and enterprises was strengthened; and some of those institutes became science and technology-based enterprises. Effectively driven by the economic structural reform and the reform of the science and technology management system, over 80 percent of scientific and technological resources have been put into the main areas of economic construction so far. The strength to sustain the development of science and technology and its capability and vitality in serving economic construction were greatly enhanced.

By implementing a series of scientific and technological development programs, such as the 863 Program, the Climbing [pan deng 2372 4098] Program, the Spark Program, the Torch Program, and the dissemination of findings, during the Eighth Five-Year Plan period, we solved problems associated with a batch of key technologies for application to economic construction and social development; accelerated the transformation of scientific and technological advances into workable pro-

ductive forces; promoted the development of high technology and its derivative industries; and obtained a large number of findings, many of which have had a significant impact on the national economy and science and technology itself. For example, the research on bilinear hybrid rice and the dissemination of the technique of dry cultivation and thin planting of paddy rice have effectively contributed to a greater grain yield and provided a basis for increasing the grain output by 100 billion jin by 2000. The development of the Shuguang [2562 0342; aurora] high-performance computer signalled that our country has mastered large-scale parallel processing, the leading-edge computer technology of the nineties. The development of the hepatitis B vaccine, meeting advanced international standards on over 20 indexes, was an important contribution to the prevention and control of hepatitis B.

Song Jian believed that our country's scientific and technological strength was further strengthened during the Eighth Five-Year Plan period and its international status was also significantly improved. As one of a few in its league, our country has a relatively complete research and development system and a complete range of subjects and disciplines. The number of patent applications and authorizations and the number of scientific papers published each year have greatly increased, ranking ahead of most other countries around the world. In short, our country's overall scientific and technological strength and sophistication are approaching the standard of medium advanced countries.

Heavy Tasks and a Long Way To Go To Promote Science and Technology Under the Ninth Five-Year Plan

Song Jian emphasized: The "Program" makes it clear that implementing the strategy for making our country prosperous through science, technology, and education and the strategy for sustainable development is of important significance to development in the coming 15 years and even the entire modernization process. To this end, the scientific and technological work under the Ninth Five-Year Plan will further highlight national objectives; aim at supporting and catalyzing the change of the mode of economic growth as the primary goal; consider development of high-technology industries as a major strategic objective; make overall plans and concentrate resources available; optimize the organizational structure of the scientific and technological sector; and make effective contributions to economic construction and social development.

Song Jian said: Scientific and technological work under the Ninth Five-Year Plan will concentrate on the following aspects: first, to contribute to upgrading agriculture;

second, to energetically raise the technical innovation capabilities of industry, accelerate the development of high technology and its derivative industries, especially to strive to promote the development of national high-technology industry with autonomous intellectual property and brand-name products; third, to actively promote scientific and technological advances in the domain of social development; fourth, to optimize the structure of basic research subjects, reinforce the state objectives of basic research, and strengthen the building of the infrastructure and bases for scientific research. According to the guideline for scientific and technological work, during the Ninth Five-Year Plan period, the state will continue to select a batch of important scientific research projects and make greater contributions to strengthening our country's scientific and technological strength and promoting economic construction and social development.

Mentioning that the scientific and technological work under the Ninth Five-Year Plan will continue to highlight close integration between science-technology and the economy, Song Jian said: We should pay attention to better convergence among research, development, and industrialization; strengthen the integration of scientific research academies and institutes, institutions of higher learning, and enterprises; and strengthen the integration, matching, and engineering of technologies. Great achievements have been made in our basic and high-technology research, with a host of positive results, many of which are in the lead internationally. The scientific and technological work under the Ninth Five-Year Plan should proceed by centering more around the commercialization and industrialization of scientific and technological findings. For example, the "863" and Torch Programs should be well converged from the outset of their listing, so that high-technology findings can be turned into workable productive forces as quickly as possible. In the meantime, we should adhere to the orientation of the market, gradually shift the main body of research and development from research institutions to enterprises, improve enterprises' technical innovation capabilities, and help them become the main body of technological development.

Song Jian pointed out: The scientific and technological structural reform is an extensive and profound revolution for the emancipation of science and technology as a productive force. The smooth implementation of the scientific and technological structural reform is one of the important conditions for scientific and technological development. During the Ninth Five-Year Plan period, we will adhere to the principle of "stabilizing one end and decontrolling a whole area"; strive to optimize the organizational structure and stabilize a compact

but capable contingent of excellent scientists and technicians in association with the implementation of the scientific and technological development program; promote the deepening of the scientific and technological structural reform; and rationally divert skilled human resources to meet the requirements of the "two fundamental changes."

Benefiting the People by Popularizing Science and Technology

Song Jian said: To build China into a modernized power and win the international competition in the next century, on the one hand, we should train and bring up more scientists and technicians; on the other hand, we must raise the scientific and cultural quality of the whole nation in all ways. Just as General Secretary Jiang Zemin put it, a nation without good scientific and cultural quality will be unable to get a foothold in world competition.

Spreading scientific knowledge is key to improving the quality of all the people and an important component of the building of socialist material and spiritual civilizations. It concerns the overall interests of economic invigoration, scientific and technological advances, and social development. Song Jian said: We must attach great importance to and conduct the work of spreading scientific knowledge from the strategic perspective of the flourishing of socialist modernization and national prosperity. The work of spreading scientific knowledge under the Ninth Five-Year Plan will continue to focus on peasants, the youth, and leading cadres. In the meantime, cultivation and training of high-caliber industrial workers should be strengthened. The work of spreading scientific knowledge, as part of the state's scientific and technological work, should also proceed in the form of various activities by revolving around the state objectives of national economic construction and social development.

Song Jian said: The cause of spreading scientific knowledge is a social systems engineering project of profound and far-reaching significance. It has been given close attention by the party and the government and requires participation of all of society. We should enable the public to perceive the power of the primary productive force more profoundly; understand the interaction between science and technology and society; and recognize that there is no special "knack," "extraordinary opportunity," or "special preference" in the world and relying on scientific and technological advances and improving the quality of workers is the only way out for developing social productive forces, raising the overall national strength, and improving the people's living standard.

Song Jian specially pointed out that in the work of spreading scientific knowledge, we should adhere to the Marxist dialectical materialist ideological line; adhere to the scientific truth proven by practice; take a clear-cut stand against ignorance, superstition, and pseudoscience; and cultivate a fine social environment and spiritual atmosphere for our motherland's modernization.

Finally, Song Jian said: LIAOWANG weekly has done a great deal of work and made great achievements in introducing the state principles and policies for scientific and technological development, spreading scientific knowledge, and disseminating scientific ideas. He wished LIAOWANG to ever improve and expressed the hope that LIAOWANG and other journals will show more care for the scientific and technological cause; make greater efforts to spread the idea that "science and technology is the primary productive force," to disseminate the strategy of "making the country prosperous through science, technology, and education," and, in particular, to strengthen scientific and technological propaganda among leading cadres at various levels; and make new contributions to raising the scientific and cultural quality of the nation and pushing ahead with the scientific and technological advances of all of society.

PRC: Beijing To Manufacture 0.5 Micron IC's

*OW2106050896 Beijing XINHUA in English
0149 GMT 21 Jun 96*

[FBIS Transcribed Text] Beijing, June 21 (XINHUA) — China will begin to produce 0.5 micron integrated chips in batches by the end of this century, and further narrow the technical gap between the domestic and global IC industries.

The country formed a large-scale production of ICs of 2.0 microns, 1.2 microns and 1.0 micron over the past five years, and the research on 0.5 micron technology has now been kicked off in China's scientific institutes and colleges, according to "People's Posts and Telecommunications Daily".

The research and development of 0.35 and 0.25 micron IC technologies will also be launched in next five years, the paper said.

PRC: Plans To Develop Electric, Non-Gas Fuel Vehicles Revealed

*OW1906170596 Beijing XINHUA in English
1523 GMT 19 Jun 96*

[FBIS Transcribed Text] Beijing, June 19 (XINHUA) — China has mapped out plans to develop electric vehicle and non-gas fuel vehicles for the next century.

Shi Dinghuan, director of Industrial Science and Technology Department under the State Science and Technology Commission, said today that China is to invest more in the development project, beefing up domestic and international cooperation in the field.

He went on to say that his ministry and the Ministry of Machinery Industry have agreed to produce a number of electric vehicles, using existing technology, for experimental and demonstration use in Guangdong province, south China.

Some coastal cities and islands in the province will be selected as experimental areas for the environmentally sound vehicle, the official said.

Based on the pilot electric vehicle, and through domestic and international cooperation, China plans to produce concept electric vehicles which will meet the needs of the next century, the director said.

Leading domestic and international auto, auto part manufacturers and their research institutions will be encouraged to participate in China's development projects, Shi said.

He made the remark at a press conference to announce an international electric and non-gas vehicle exhibition in Beijing, scheduled for December 6-12.

Despite decade-long research, China has not yet made any breakthrough in the technology related to high-performance, low-cost batteries and engines.

Zhang Xiaoyu, director of Auto Industry Department under the Ministry of Machinery Industry, said the development of the auto industry has been troubled by safety, energy and environmental issues, but this will help the development of better and environmentally safe automobiles.

He added that development of electric vehicles is supported by the national auto industrial development policy published over a year ago by the Chinese government.

PRC: First Electric Locomotive Developed

OW2106045396 Beijing XINHUA in English
0355 GMT 21 Jun 96

[FBIS Transcribed Text] Changsha, June 21 (XINHUA) — China has unveiled its first powerful alternating-current locomotive in Hunan province, making the country one of the few countries in the world capable of developing the engine.

With a power of 4,000 kilowatts and maximum speed of 120 km per hour, the locomotive is the product of the country's elite locomotive developers that have spanned several generations.

The computer-controlled locomotive was developed by Zhuzhou Electric Locomotive Plant and Zhuzhou Electric Locomotive Institute in central south China's Hunan province.

Mass production of the engine will begin at the end of this century, experts said.

Powerful alternating-current locomotives are the dominating engines for railway transportation, which the developed countries are vying with each other to produce.

Military & Public Security

PRC: Qinghai Commander Views National Defense Mobilization Work

SK2506044196 Xining QINGHAI RIBAO in Chinese
28 May 96 p 1

[By Yin Shenghua (3009 3932 5478) and Liu Wenhao (0491 2429 3185): "Qinghai Provincial Military District Commander Zhang Meiyuan Emphasizes Implementation of Party Administration of People's Armed Forces Work When Speaking on Provincial National Defense Mobilization Work"]

[FBIS Translated Text] Zhang Meiyuan, Standing Committee member of the provincial party committee and commander of the provincial military district, led some members of the provincial national defense mobilization committee to conduct an in-depth inspection on the national defense mobilization work of four autonomous prefectures (prefecture, city), including Dingning, Haidong, and Huangnan, from 20 April to 23 May. He also came up with some constructive suggestions on Qinghai's future national defense mobilization work.

The inspection was conducted for the purpose of implementing the series of instructions of the party Central Committee, the State Council, and the Central Military Commission on strengthening the national defense mobilization work and also for the purpose of studying and exploring the ways to strengthen Qinghai's national defense mobilization work in the new situation. During the inspection tour, Commander Zhang Meiyuan visited various localities to inspect the construction of reserve forces, military transportation facilities, and national defense education work; and held extensive discussions with party, government, and army leading comrades at various levels. He fully affirmed the national defense mobilization work carried out by the various localities in the past few years. He said: All localities in the province have correctly handled the relationship between economic construction and the national defense mobilization work, attached importance to the party's function of administering the people's armed forces, and adhered

to the system for party committees to discuss military affairs. As a result, a good situation in which the party, the government, and the army make concerted efforts to carry out national defense mobilization work has taken shape, economic construction and national defense construction have developed in a coordinated manner, and very good political, economic, military, and social benefits have been produced. This has made contributions to safeguarding the reunification of the motherland and the stability of the society.

Commander Zhang offered some constructive suggestions on future work. He emphasized: The Ninth Five-Year Plan period is an important period for Qinghai to expedite economic and social development. To secure a stable economic construction and social environment, we should further strengthen the party's absolute leadership over the people's armed forces work to make people's armed forces maintain a high degree of unity with the party Central Committee and the Central Military Commission under all circumstances; we should put party's administration over people's armed forces work into practice and uphold and improve the dual leadership system; we should develop the role of both the local and the army leaders in their concurrent jobs in the army and the local organs, respectively, and enable them to successfully perform their double functions of economic construction and national defense construction; we should enable both the local and the army leaders to remain strict in appointing grass-roots people's armed forces cadres to make sure that guns are always held in the hands of the people loyal to the party; and we should establish and improve Qinghai's national defense mobilization organizations at all levels and make our national defense mobilization work more compatible with the needs of the new situation.

PRC: Yu Yongbo Speaks at Award Meeting for Army Scientists

OW2506051396 Beijing XINHUA Domestic Service in Chinese 1308 GMT 20 Jun 96

[By JIEFANGJUN BAO reporter Wang Wenjie (3769 2429 2638) and XINHUA reporter Luo Yuwen (5012 3768 2429)]

[FBIS Translated Text] Beijing, 20 Jun (XINHUA) — A meeting to present the first People's Liberation Army [PLA] award for major contributions in special military technology was held in Beijing today. Yu Yongbo, Central Military Commission [CMC] member and PLA General Political Department director, spoke at the meeting, calling on the whole Army to diligently study and implement CMC Chairman Jiang Zemin's important speech made to the award recipients prior to the meeting, and to work hard to create more

outstanding scientific research results for promoting the Army's modernization drive.

Wang Ke, CMC member and General Logistics Department director, read an order from the PLA General Staff, Political, and Logistics Departments conferring the PLA award for major contributions in special military technology on Wang Zengwei and 38 other cadres. Then, leaders from the three general departments presented the award to the recipients. Deputy Chief of General Staff Qian Shugen officiated at the meeting.

The PLA award for special military technology, the highest military specialty award, has been set up in accordance with Comrade Jiang Zemin's demand for "institutionalizing a generous reward system for intellectuals with outstanding contributions." The triennial award is focused mainly on cadres engaged in natural sciences, especially new and high technology and among middle-aged top-notch scientists. The award's recipients are presented with a certificate, a badge, and a certain amount of cash reward. Among the first batch of 39 recipients examined by an all-army evaluation committee for major contributions in special technology and approved by the CMC, were famous older-generation experts as well as young talented scientists with numerous achievements.

In his speech, Yu Yongbo said: Valuing science and technology and respecting knowledge and talented people are the important component of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics. The party's third-generation leading collective with Jiang Zemin as the core has attached great importance to the undertaking of military science and technology and the building of the ranks of military scientists, and has made a series of important instructions in this regard. Chairman Jiang's high remarks for the award recipients at the meeting today are also a great encouragement to the Army's scientific and technical personnel in general.

Yu Yongbo said: Since the PRC's founding, the party central committee and the CMC have shown profound concern for the undertaking of military science and technology and specialized technical cadres at large. Party committees and leaders at all levels in the Army have energetically implemented the policy toward intellectuals to create a favorable condition for generating scientific research results and training talented scientists in the Army. Today, the Army's scientific and technological front has a galaxy of talents with vigor and vitality. Specialized technical cadres have contributed their wisdom and youth to the development of the undertaking of military science and technology, completing one after another research project and obtaining one batch after

another of research results. The vast number of specialized technical cadres are urged to redouble their efforts to promote defense modernization and successfully carry out their mission. Party committees at all levels should enthusiastically care for and protect specialized technical cadres; exert the utmost to serve them well; and strengthen and improve leadership over science and technology work. We should further cultivate a healthy atmosphere of respecting knowledge and studying science and technology throughout the Army.

Professor Ling Yongshun of the PLA Electronics Engineering Academy spoke on behalf of the award recipients, pledging to dedicate their research results to the Army, the party, and the people.

Other leaders of the three general departments and some senior experts also attended the meeting.

PRC: Guangxi Paper Describes 90-II Type Main Battle Tank

*OW2506042696 Nanning GUANGXI RIBAO
in Chinese 11 Jun 96 p 6*

[Report by Yang Xiaoan (2700 2556 1344): "China's 90-II Type Main Battle Tank"]

[FBIS Translated Text] China's 90-II type main battle tank has adopted advanced manufacturing technology by integrating the strong points of the best main battle tanks of the world. It has outstanding capability and an advanced structure, and is easy to operate and simple in repair and maintenance. The total weight is 48 tonnes. It is 7 meters long, 3.4 meters wide and 2 meters high. Its maximum highway speed is 60 kilometers per hour and its cruising range is over 400 kilometers. Its weaponry includes a 125-mm smoothbore gun with advanced ammunition. Its firing control system includes a stabilized distant aiming mirror, a firing control computer, a laser counterdevice [dui kang zhuang zi 1417 2123 5944 4999], an advanced driving motor, a side wind sensing element, a slope sensor, and an angle speed sensor [jiao su du chuan gan qi 6037 6643 1653 0278 1949 0892]. The system enables the tank to fire at moving targets at day or night. It is easy to operate and its firing reaction time [huo li fan ying shi jian 3499 0500 0646 2019 2514 7035] is short.

PRC: Liaoning Secretary Inspects Fuxin's 'Crackdown' Struggle

*SK2506103596 Shenyang LIAONING RIBAO
in Chinese 30 May 96 p 1*

[By reporter Jin Hongcai (7246 3163 2088)]

[FBIS Translated Text] On 28 May, Gu Jinchi, secretary of the provincial party committee, went to Fuxin

to inspect the progress of the "severe crackdown" struggle. Gu Jinchi pointed out: "All levels of leaders should further strengthen their understanding about the struggle and expand the dynamics of attack. They should continue to deeply mobilize the masses, to achieve the work toward the persons in the know and those related to criminals, to find more clues for solving criminal cases, to prominently achieve results in the struggle, and to deepen the progress of the struggle."

At 0800 of that day, Gu Jinchi went to the Xinxing police substation of the Haizhou public security sub-bureau of Fuxin, accompanied by Wang Xiyi, secretary of the Fuxin city party committee. A police substation director, Tian Haibin, told Gu Jinchi that by fighting day and night with the assistance of the masses, 13 cadres and policemen at the substation cracked 60 criminal cases, seized three prime culprits, arrested six persons with approvals, and reeducated three persons. After hearing this, Gu Jinchi said: The "severe crackdown" struggle is inseparable from the efforts of the masses, the assistance of the persons in the know, and the down-to-earth fulfillment of the basic work. We should strengthen construction of the policemen contingents, sum up the experiences gained by advanced figures, and promote an in-depth progress of the struggle.

After hearing Fuxin city's "severe crackdown" report made by Mayor Li Jing, Gu Jinchi made opinions on how to deepen the struggle and what to attend to in the next-step struggle. Gu Jinchi pointed out: "First of all, we should further upgrade our understanding. Waging the struggle is a demand for consolidating the position of the ruling party, realizing the target toward the year 2000, establishing close contacts with the masses, and standing for the interests of the people, as well as a demand for achieving the work in all spheres and creating a stable environment. The next-step task is to set the "severe crackdown" targets in a more centralized and definite way. The country as a whole should realize the targets of cracking a large number of appalling cases, seizing a number of escaped criminals, ferreting out a number of criminal gangs, and resolutely destroying a number of criminal gangs with the underworld nature and a number of evil hooligans seeking hegemony in localities so as to comprehensively improve the public order. Localities should persist in the line of seeking truth from facts, specifically analyze the targets that should be attained, and further define targets. We should further mobilize the masses, break down the spots that have not been touched by the police, and attain the target of ferreting out hidden criminals. The struggle should target all crimes. The first-step struggle should target the crimes surfacing in society, and the second should target hidden crimes. Through the "severe crackdown," we

should promote the progress of the work in all spheres, intensify the overall improvement of public order, really stabilize the province's society, and make the people have a sense of safety.

Gu Jinchi stressed: We should exert great efforts to achieve the propaganda on advocating justice, encourage those with contributions, and provide useful experiences in strengthening the improvement of public order. Zhang Xingxiang, secretary general of the provincial party committee, accompanied Gu Jinchi to conduct the inspection.

PRC: Criminals Executed in Liaoning's Cities

*SK2506061696 Shenyang LIAONING RIBAO
in Chinese 8 Jun 96 p 1*

[FBIS Translated Text] On 7 June, Anshan, Jinzhou, Chaoyang, Dandong, Benxi, Panjin, and Liaohe Oil Field Intermediate People's Courts as well as Haicheng, Donggang, Lingyuan, and Fengcheng City and County People's Courts respectively held open trials, where a large number of serious criminal offenders were severely punished according to the law, and, at the same time, some criminals who surrendered themselves within the time limit prescribed by the "circular" and who contributed to cracking cases were given light or reduced penalty according to the relevant laws and policies of the state.

When trying this batch of serious criminal cases, these people's courts severely and promptly punished the offenders guilty of homicide, robbery and hooliganism, who were the major targets of crackdown. The three homicide cases committed by Cong Guangwen, Pan Yuanping, and Sun Yaofu, that were tried by the Anshan City Intermediate People's Court, were cases of hired homicide. Nursing a grievance at her husband due to family problems, Cong Guangwen hired Pan Yuanping through Sun Yaofu at the price of 60,000 yuan to kill her husband. The way in which the crime was committed was absolutely vile. On the charge of intentional homicide, Cong Guangwen and Pan Yuanping were sentenced to death according to the law, with their political rights deprived for life, and Sun Yaofu was sentenced to fixed-term imprisonment.

Li Dongfu, Qu Wenbiao, Yu Kai, and Wang Song, vagrants in Haicheng City, colluded with one another to rob, in a premeditated manner, the passenger bus running from Jilin's Dongfeng County to Xiliu Town, gaining 77,400 yuan in property. These criminals were full of arrogance, and the way in which the crimes are committed was extremely vile. Therefore, the accused Li Dongfu, Qu Wenbin, and Yu Kai were sentenced to death with their political rights deprived for life on

charges of robbery, and Wang Song, who was also guilty of robbery, was sentenced to life imprisonment.

Of the criminal cases currently tried by Chaoyang, Jinzhou, Benxi, and Liaohe Oil Field Intermediate People's Courts, most were the serious cases deserving severe crackdown, with their first trials concluded within one month. As for the cases committed during the "crackdown" and the cases causing a very bad impression in society, their trials have been accelerated, with their first trials concluded in 10 days or fewer on an average. The accused Liu Ruihong, who was tried by the Chaoyang Intermediate People's Court, picked quarrels and stirred up trouble at public places by holding tools. As a result, one innocent person was severely injured and 2 slightly injured, disturbing the public order in society. The first trial for this case was concluded in eight days alone. On charges of hooliganism, Liu Ruihong was sentenced to death with his political rights deprived for life. These death penalty cases pronounced by various cities were ruled by the Provincial Higher People's Court, and the order of execution by the death penalty was transmitted. All these offenders were executed by shooting on 7 June.

After the issuance of the joint "circular" of the Provincial Higher People's Court, the provincial People's Procuratorate, the provincial public security department, and the provincial judicial department, people's courts in the province treated the criminals who surrendered themselves within the prescribed time limit or exposed the crimes of others by reducing their sentence, temporarily suspending the execution of their sentence, or exempting them from punishment. At these open trials, seven criminals in Dandong and four in Benxi were punished leniently. Wu Jie in Anshan City's Tiedong District committed theft on many occasions in collusion with others, with the total value of illicit money reaching 50,000 yuan or more. Originally, he should be sentenced to death. But, because he confessed his crime, exposed other's crimes, and returned all the illicit money, he was given a lenient sentence of 14 years of imprisonment.

PRC: Commentator's Article: 'Thoroughly Exterminate Evildoers'

*SK2506030796 Taiyuan SHANXI RIBAO in Chinese
11 Jun 96 p 1*

[Commentator's article: "Hotly Pursue, Fiercely Attack, and Thoroughly Exterminate Evildoers"]

[FBIS Translated Text] On 10 June, people's courts across the province again held open trials to announce punishments on a number of serious criminal offenders, after which a group of serious offenders guilty of the

most heinous crimes that aroused public indignation were escorted to execution grounds and shot to death. This move is another fierce attack against criminal offenders following the first battle of "dealing blows to criminal gangs and wiping out evil forces." This has fully manifested the strong power of the people's democratic dictatorship, greatly inspired the people's will of participating in the campaign of cracking down on crime, effectively frightened all sorts of law violators and criminal offenders, and further consolidated and expanded the results of the "crackdown on serious crimes." Such a move has given the people immense satisfaction.

Since the beginning of April, under the unified leadership of the provincial party committee, the public security, procuratorial, and judicial fronts across the province have launched, with the suddenness of a thunderbolt, a swift and fierce attack at the criminal offenders who have harmed social order and the lives and property of the people. As a result, a large number of criminals have been subject to severe sanctions by the law, the arrogance of criminals has been stamped out resolutely, the rampant trend of criminal offenses has been effectively checked, the situation in social order and public security has obviously improved, the people's sense of security has been enhanced continuously, some offenders guilty of serious crimes have, under the deterrence of the law, vied with one another in surrendering themselves to public security and judicial organs and voluntarily confessed their crimes, and some have exposed the crimes committed by other criminals and thus have been treated leniently by judicial and procuratorial organs. Some other criminals, however, still obstinately stick to wrong courses, refuse to observe laws, and still commit crimes despite the ongoing campaign to "crack down on crime." Still others who committed serious crimes have resisted reform and escaped from prison. During the current concentrative crackdown, by fully carrying forward the fine tradition of continuously fighting against, hotly pursuing, fiercely attacking, and thoroughly exterminating the evildoers, public security, procuratorial, and judicial organs have dealt a stern and relentless blow at those severe criminal offenders who escaped after committing crimes despite the current "crackdown"; have cracked, prosecuted, tried, and executed cases promptly; and have given severe punishment to offenders according to the law, thus providing a fine social environment for the social stability and economic development of the province, winning the acclaim of all circles in society.

Here we again earnestly declare to the criminals who are committing crimes and who have not been arrested that the party's policy on "being lenient on those who

confess their crimes and severe on those who refuse to do so" is consistent and remains unchanged, and the only way out for criminals is to surrender themselves to the police or judicial departments, expose the crimes of other criminals, turn over a new leaf, admit their guilt and submit themselves to the law, and earnestly accept reform. If they still cling obstinately to their old course and even continue to commit crimes in violation of the law despite the "crackdown," they will certainly be severely punished by the law.

PRC: Criminal Executed by Shooting in Beijing

*SK2506071596 Beijing BEIJING RIBAO in Chinese
14 Jun 96 p 1*

[FBIS Translated Text] On 10 June, according to the order of executing death penalty transmitted by president of the Beijing Municipal Higher People's Court, the First Beijing Municipal Intermediate People's Court executed criminal Ren Liansheng by shooting, who kidnapped a woman, extorted a huge sum of ransom, and made his accomplice kill an on-duty policemen while extorting the ransom. [passage omitted]

PRC: Inner Mongolia Holds Open Trials of Serious Criminals

*SK2506103696 Hohhot NEIMENGGU RIBAO
in Chinese 11 Jun 96 p 1*

[By Reporter Li Xiaoping (2621 1420 1627)]

[FBIS Translated Excerpt] Since the region's "crackdown" struggle entered the second stage, public security, procuratorial and judicial organs and courts have maintained close coordination, given further impetus to the crackdown, dealt more forceful blows to criminal offenders who seriously endangered public security, and achieved new results.

This reporter learned from the second news conference on the regional "crackdown" struggle held on 10 June that courts in 67 banners, counties, and districts of 12 leagues and cities in the region simultaneously conducted open trials for a number of serious criminal cases and executed according to the law a batch of criminals guilty of the most heinous crimes, in which popular indignation could not be assuaged without killing the criminals.

It was learned that from 10 May to 10 June, regional public security organs cracked down on 4,572 criminals cases, 1,774 of which were major cases that happened during the year, and 1,396 of which were major long-pending cases from previous years. Public security organs in various localities concentrated on cracking down on existing major cases and long-pending cases.

25 June 1996

NATIONAL AFFAIRS

41

and succeeded in consecutively cracking a number of major vile cases that caused serious harm and had great influence. The Ulanhot City Public Security Bureau in Hinggan League hotly pursued criminals without slackening their efforts, conducted long-term investigations, and cracked a most serious case of the rapes of young girls on 5 June which the regional public security department had told it to handle. They captured criminal Sun Zhiliang, who had used the assumed name Liu Xin and fled to other places for two years, and thus executed this criminal who was guilty of the most heinous crime of disguising himself as a substitute teacher, raping 15 third- and fourth-grade female students, and acting indecently towards two female students. [passage omitted]

During the past few days, procuratorial organs across the region voluntarily strengthened ties with public security organs, promptly participated in investigating some major and most serious cases, kept abreast of new developments, rapidly approved the arrests of criminals who should be arrested, prosecuted those who should be prosecuted, and effectively guaranteed the smooth progress of the "crackdown" struggle. Procuratorial organs in all localities strictly and carefully checked up on resolving doubtful points so as to prevent wrong verdicts and criminals from running away unpunished. [passage omitted]

Regional public security, procuratorial and judicial organs sternly warned all criminals who broke the law and continued to do evil to wake up to the danger at the last moment and surrender to the police, otherwise they would surely receive stricter punishment.

PRC: Yunnan Governor on Current Crime Crackdown

*OW2506063596 Kunming YUNNAN RIBAO
in Chinese 13 Jun 96 p 1*

[By correspondent Yang Mingyuan (2799 2494 6678)]

[FBIS Translated Text] Governor He Zhiqiang took advantage of his investigation and study tour of Gengma Dai-Va Autonomous County to visit and extend regards to the officers and men of the Hedigang Check Point under the Lincang Armed Police Border Defense Branch, and the Border Defense Team of the Gengma County Public Security Bureau. He also gave important instructions on the current campaign to severely crack down on crimes.

The Hedigang Check Point has seized a large quantity of drugs and arrested a number of drug traffickers in recent years. It has been commended and awarded by leading organs at higher levels on many occasions. While passing by the check point at noon on 11 June,

although it was raining Governor He Zhiqiang visited the officers and men, inspected the facilities, and asked about their work and livelihood. Governor He spoke highly of the meritorious service of the officers and men in safeguarding social stability in the border areas and in banning drugs and cracking down on crimes. He encouraged them to make further efforts and render new meritorious service.

On arriving in the Gengma county town on the afternoon of 11 June, Governor He immediately went to the county public security bureau to visit and extend regards to the policemen and the officers and men of the Gengma Border Defense Team, who are on the front line of the campaign to severely crack down on crime. After listening to a report on the situation, He Zhiqiang first extended cordial regards to the public security policemen and the officers and men of the border defense armed police on behalf of the provincial party committee and provincial government. He said: The first thing I do on the first leg of my tour is to visit the policemen and officers and men of the armed police on the front line in the campaign to severely crack down on crime and to convey to you the regards of the provincial party committee and government. Gengma is a border area, and the armed police and public security personnel here are shouldering a heavy responsibility and have, over a long period, made outstanding contributions to safeguarding social stability, consolidating border defense, and ensuring the smooth progress of reform, opening up, and economic construction. In particular, in the campaign to severely crack down on crime and in banning drugs, you fear no sacrifice and have fought continuously, severely punished criminal elements, and safeguarded social stability. The party and the people will not forget you.

He Zhiqiang pointed out that the victory of the previous stage of the campaign to severely crack down on crime has been won, but the task remains arduous. The provincial party committee recently held a provincial telephone meeting to make arrangements for the next stage of the campaign to severely crack down on crimes. Various localities must, in accordance with the demands of the provincial party committee and provincial government, seriously implement General Secretary Jiang Zemin's instruction that leading cadres must pay attention to politics, have a thorough understanding of the importance and necessity of the party central committee's decision on launching the campaign to severely crack down on crimes, continue to do a good job in carrying out the campaign at a deeper level, create a good social order for the building of the two civilizations, and enable the people to feel safe.

He Zhiqiang also stressed the necessity to do a better job in banning drugs and cracking down on criminal activities related to drugs, because this is an important part of the campaign to severely crack down on crimes. He said that Lincang Prefecture and Gengma County are shouldering the heavy tasks of banning drugs. At present, a new situation has emerged in banning drugs. Therefore, we must have a thorough understanding of the protracted nature, the difficulty, and complexity of cracking down on crimes related to drugs and must study the new situation, constantly sum up experience, and carry the struggle to crack down on drug crimes through to the end. The provincial government has recently decided to increase the input in the work to ban drugs, and increase advanced equipment and means. Party and government leading organs at various levels must, in accordance with the spirit of the instructions given by central leaders during their recent inspection of Yunnan, always firmly grasp the struggle to ban drugs, and must not stop doing so as long as drug sources exist. I hope that public security policemen and officers and men of the armed police will carry forward the style of fearing no sacrifice and fighting continuously, and make new achievements in, and contribution to, the struggle to crack down on drug crimes.

PRC: Narcotics Trafficking Case Cracked in Beijing
SK2506071496 Beijing BEIJING RIBAO in Chinese
13 Jun 96 p 1

[FBIS Translated Excerpt] A few days ago, the Beijing Municipal Public Security Organ cracked a narcotics trafficking case, the biggest one in Beijing since the founding of the PRC. More than 11,000 grams of heroin, some 130,000 yuan of narcotics related funds, and 12 criminals were seized on the spot. For this, the Ministry of Public Security sent a message of congratulation to all cadres and policemen participating in the action. [passage omitted]

***PRC: Discussion of Oilfield Security Issues**
96CM0310A Beijing GONGAN RENMIN BAO
in Chinese 13 Feb 96 p 3

[Article by Han Kuiyuan (7281 1145 0337): "On Rampant Theft of Oil and Power From Oil Field Region"]

[FBIS Translated Text] In recent years, under the correct leadership of higher authorities, the North China Oil Field Public Security Department has organized a special attempt to combat the theft of oil and other power sources, working with local party committees and the government while assisted vigorously by public security, prosecution and law enforcement institutions. They have smashed some centers of criminal activity

and dealt severe punishments. This crime wave of oil and power theft has been brought under control to a certain degree, securing the smooth implementation of production and construction in the oil field region. However, we must also make it clear that there is a very serious problem with oil field security, the crime rate has risen annually, and the consequences of crime grow increasingly serious inflicting major damage on production and construction in the fields. Just three examples at the three oil recovery plants in the North China Oil Fields bear this out: based on incomplete statistics, it appears that criminal activities are causing a loss of about 20 million yuan's worth of revenue in power, with something in excess of 1,000 tons of crude oil being stolen. Why do criminal activities of this sort go on despite many efforts to crack down on them? In my view, the following are several reasons for this:

First of all, there are many widely scattered oil wells in the oil field region, with long power supply cable lines; this makes it relatively easy for criminals to steal oil and power.

In the entire North China oil field region, there currently are oil wells spread throughout the provinces and regions of Hebei, Inner Mongolia, and Xinjiang, and these wells are surrounded by several thousand natural villages. Just the three oil recovery plants' oil wells are spread out across six counties and one city and are surrounded by over 300 natural villages. This widespread pattern in itself creates certain problems for the public security forces in trying to carry out control and prevention, and creates chances for theft. The conduct of further reform and opening and the gradual establishment of the socialist market economy have widened the gap between rich and poor. Some farmers, spurred by an unhealthy consumption psychology, have abandoned the idea of achieving prosperity through hard work and have turned their eyes to getting rich in the oil fields. This is especially the case with some farmers who have begun stealing oil and getting rich this way, and become well-known upstarts of the area. Driven by profit seeking, other people take these upstarts as a "model" and join the ranks of those stealing oil and power. They take advantage of their familiarity with the surroundings, to either commit crimes on their own or by conspiring with others, so oil and power theft is running rampant among these people. Among the criminals caught in recent years, 99 percent were local farmers.

Second, local protectionism limits launching of a powerful attack on these criminal activities.

There are actually such situations as these: some villages which receive electrical power from the oil fields in

appreciation for the villages sharing their drinking water, will then let other villages which do not have the privilege tap into their electrical power, but charge them a large fee for doing so and make big money from this; some township enterprises and major taxpayers in their counties have become famous through long-term theft from the oil fields; some villages have suddenly leaped to the status of well-off villages or towns through their farmers' theft of oil and power. Some leaders not only lack the power to stop these practices, but because of the considerable economic interest involved they take the approach of "one eye open, one eye closed," giving their tacit permission or even covert support. They not only offer no support or cooperation with the public security organizations' assault on crime, they even try to block it, deliberately preventing the public security institutions from investigating the case. In the three places, the public security officers not only cannot obtain evidence in these cases, the public security officers on duty are often attacked by criminals, even beaten by them. An even more serious situation is that some village cadres even publicly gather villagers to deter the public security officers.

Third, the police force is significantly undermanned, they have poor vehicles to work with and backwards telecommunications facilities, far from what is needed to wage a successful attack on crime.

In recent years, criminals have become increasingly adept at stealing oil and power, have grown increasingly sophisticated and wild, as well as acquiring a certain counter-investigative ability. In order to better carry out their criminal activities and avoid the public security institutions' attack, illegal elements not only have rapid means of transport obtained through their illegal oil sales, they also have such telecommunications facilities as two-way cordless telephones, BP pagers, etc. But the situation for the public security's present situations is far from what they need in the struggle. The police force in the first line of the anticrime struggle is seriously undermanned, with inadequate technology, transportation, and telecommunication equipment. While these are insufficient for developing our public security forces, the overall educational level of the public security team needs further improvement. Taking the

third branch of the recovery plant in the North China oil field public security department as an example, there are a little over 30 formal policemen and only about 20 policemen on the frontlines of public security criminal investigation to bear the security, patrolling, and case investigation burden for oil fields that cross six counties and one city. The majority of their current vehicles do not run well, and often break down while on duty; their telecommunications tools are insufficient, so some public security policemen purchase BP's out of their own pockets. At the same time, the shortage of police officers means the force is overworked, with hardly any time for systematic study and training, so it is hard to improve their professional quality. The above situations restrict a powerful attack on criminal activities.

Fourth, lax law enforcement, "personal connection cases", and "money cases" occur often, another important reason behind the impotence of the attack on criminal activities.

Because most criminals engaging in the theft of oil and power are local people, most of them have complex social connections. It is common for criminals to bribe some weak local party officials, government workers, and the public security institution to rope them in and corrupt them. This creates a sophisticated network of connections and create the circumstances for avoiding legal retribution. Protected by their network of connections, their criminal activities are rampant, even crazy; even when their crimes are exposed they are unafraid because of their protective network. It often happens that the public security institution will no sooner arrest a criminal than people will either call or come to the police demanding immediate release, or send in notes requesting the accused receive a light punishment. Because these people usually have powerful social titles or positions, they set up many artificial blocks for the public security institution to enforce the law fairly and increase the difficulty of their procedures. In addition, few public security policemen fail to resist the lure of money or societal pressures; they fall into the "connection and money case" traps and allow some criminals to get off without receiving the punishment they deserve.

General**PRC: Li Peng Meets Boeing's Board Members**

*OW2406123896 Beijing XINHUA in English
1237 GMT 24 Jun 96*

[FBIS Transcribed Text] Beijing, June 24 (XINHUA) — Chinese Premier Li Peng met with Frank Shrontz, chairman of the Boeing Company of the United States, and his party here today.

Li said China hopes that Sino-US relations will be improved and developed and the two countries should reduce frictions and avoid confrontations.

However, "certain policies" of the US government and "some moves" of the US Congress are not conducive to the development of Sino-US economic and trade relations, he noted.

"We hope that this situation should change," Li said, adding that he hopes the US business circles can exert their efforts to this end.

The premier said the rapid growth of the Chinese economy in the past decade has provided broad prospects for the development of this country's civil aviation industry.

He noted that there have been progress in the cooperation between Boeing and China, expressing the hope that such mutually beneficial cooperation on an equal basis will continue.

Shrontz, who chaired Boeing's board meeting in Beijing, said that it is of "vital importance" to maintain normal relations between the United States and China.

He told Li that his company will continue to make efforts for the development of US-China relations, particularly bilateral economic and trade ties.

PRC: Official Reviews Dangerous Chemicals Catalogue

*OW2506042896 Beijing XINHUA Domestic Service
in Chinese 2225 GMT 9 Jun 96*

[By reporter Li Zhengyan (2621 3630 5333)]

[FBIS Translated Text] Beijing, 9 June (XINHUA) — With the ever-increasing calls of the people around the world for peace, the supervision and control of chemical materials used for the production of chemical weapons are increasingly tightening. China also attaches great attention to this work. Recently, the State Council approved the Ministry of Chemical Industry to promulgate a "Catalogue of Various Chemicals Under Supervision and Control." Following is the content of XINHUA's interview on this matter with Tan Zhuzhou, vice minis-

ter of Chemical Industry and director of the Office for the Convention on the Prohibition of Chemical Weapons under the Ministry of Chemical Industry:

[XINHUA] What are chemicals under supervision and control? Please brief the reason and background for China's promulgation of the "Catalogue."

[Tan] Simply put, chemicals under supervision and control are chemical materials used for the production of chemical weapons. China is a country without chemical weapons. Chinese people cherish an undying hatred for chemical weapons because they were victimized by chemical weapons in the past. Even now, there are still chemical weapons in China's territory that are leftover from the period when Japan invaded China. In January 1993, Vice Premier Qian Qichen signed, on behalf of the Chinese Government, the Convention on the Prohibition of the Development, Production Stockpiling and Use of Chemical Weapons and on Their Destruction. As of the end of May this year, 160 countries in the world have signed the convention. Among them, 53 countries including Britain, France, Germany, and Switzerland have approved it. Under the "convention," it will become effective 180 days after the 65th country submitted the instrument of ratification to the secretary general of the United Nations. It is expected, therefore, the time for the "convention" to become effective is not far away.

The goals and purposes of the "convention" are the complete prohibition and thorough destruction of all existing chemical weapons. The "convention" requires that under no circumstances should the signatories develop, produce, stockpile, possess, transfer, and use chemical weapons and that they will thoroughly destroy all existing chemical weapons and production facilities. To ensure that the basic obligations and specific regulations of the "convention" are observed, the "convention" stipulates that each and every signatory should report to the international organ of the "convention" its situation and data relating to chemicals under supervision and control three years before the "convention" is put into effect and each year after it becomes effective. The "convention" also stipulates that each and every signatory should receive on-site investigations.

[XINHUA] In what aspects has China, a major country of chemical production, undertaken the administration of chemicals under supervision and control?

[Tan] Many departments and trades are involved with the work of supervising and controlling the production, use, sales, import, and export of such chemicals. Moreover, it is easy to obtain facilities and raw materials to produce such chemicals, which are highly poisonous. They might cause great danger if they are not under

strict supervision and control. The danger of such chemicals can be shown in the sarin incident which occurred in a subway station in Tokyo. China has attached great importance to the administration of chemicals under supervision and control. In 1990 the state issued an internal reference document to control chemicals under supervision and control. In 1994 the state issued a formal document for such purpose. In 1993 the Ministry of Chemical Industry established the Office for the Convention on the Prohibition of Chemical Weapons and began to draft the "Regulations of the PRC Governing the Administration of Chemicals Under Supervision and Control." The regulations were submitted to the State Council for approval after repeatedly seeking opinions from all circles. Premier Li Peng signed Decree No. 190 of the State Council on 27 December 1995, promulgating the "Regulations of the PRC Governing the Administration of Chemicals Under Supervision and Control." With that, China's administration of chemicals under supervision and control was put onto the track of its legal system. The "Catalogue of Various Chemicals Under Supervision and Control" was issued in accordance with the "regulations."

[XINHUA] How can chemicals under supervision and control be grouped or categorized and how can specific management be applied on them?

[Tan] Chemicals under supervision and control are divided into four categories in light of the goals and purposes of the "convention" and the extent of danger they might incur to the safety of human beings. The first category includes chemicals which could be used as chemical weapons. The second category includes chemicals which could be used as precursors for producing chemical weapons. The third category includes chemicals which could be used as major materials for producing chemical weapons. The fourth category includes specific organic chemicals excluding dynamite and pure hydrocarbon. In terms of the extent of their danger, the "regulations" adopt a controlling system based on the category and class of these chemicals, thus establishing a comprehensive control beginning from the production, to the sale, and to the use of these chemicals.

In production, the "special permit system" will be implemented. The state will exercise strict control over the production of chemicals under supervision and control of the first category. The production of chemicals under supervision and control of the first category needed for scientific research, medical purposes, pharmaceutical purposes, or protection purposes should be reported to departments in charge of the chemical industry of the State Council for approval and the production should be carried out in small facilities designated by such departments. The state will implement the special permit

system for the production of chemicals under the supervision and control of the second and third categories, and of special organic chemicals containing phosphorous, sulfur, and fluorine under the fourth category of supervision and control. No organization or individual is allowed to produce such chemicals without a special permit.

In import and export, the state will designate companies to manage import and export business of chemicals under supervision and control of the second and third categories and will implement the import and export permit system. Only organizations designated jointly by the Ministry of Chemical Industry and the Ministry of Foreign Trade and Economic Cooperation can handle business of the import and export of chemicals under supervision and control, and no other organizations or individuals are allowed to handle such business.

In management, the state will implement the data report system for chemicals under supervision and control. Organizations related to various kinds of chemicals under supervision and control are required to make known each year the output volume, processing volume, sales volume, and import and export volume according to various demands and to report changes in facilities, production, and operation plans, and changes in those plans. The overwhelming majority of plants producing organic chemicals are required to make known their plant sites, production capacities, and annual output volumes and to accept on-site inspections by organizations of international conventions. Besides, the "Regulations" also contain provisions concerning the management, use, and storage of chemicals under supervision and control.

[XINHUA] How can the implementation of the "Regulations" be ensured? What arrangements has the Ministry of Chemical Industry made for work in future, being the ministry for the supervision and control of chemicals?

[Tan] The management of chemicals under supervision and control is an extremely solemn political task. In order to ensure that all the provisions will be earnestly observed, the "Regulations" have increased the law enforcement power and given certain power to mete out administrative punishment to administrative departments in charge of the chemical industry of provinces, autonomous regions, and municipalities. Any organization or individual which has violated the "Regulations" in the production, use, and management of chemicals under supervision and control will be punished according to the actual situation by departments in charge of the chemical industry of people's governments of provinces, autonomous regions, and municipalities, and if such a violation constitutes a crime, investigation will

be conducted according to law for affixing criminal responsibility.

Our country is a country without chemical weapons and without facilities for the production of chemical weapons. Therefore, the implementation of the "Convention" is mainly an issue of the management of the chemical industry for civilian use. As early as in the period of talks on the "Convention," the state already asked our ministry to take charge of the work. The "Regulations" clearly state that our ministry is responsible for the management of chemicals under supervision and control across the country. Departments in charge of the chemical industry of the people's governments of provinces, autonomous regions, and municipalities are responsible for the management of chemicals under supervision and control within areas under their respective administration.

In order to further implement the "Regulations," it is necessary at present to strengthen publicity so that organizations and workers engaged in the production, processing, and use of chemicals under supervision and control can understand the basic contents of the "Regulations," make clear the great significance of the promulgation of the "Regulations," and consciously turn the provisions of the "Regulations" into codes of conduct. At present, we are formulating detailed rules for the implementation of the "Regulations" and are striving to complete them in the new future, carry out experiments in selected points in the second half of this year to accumulate experiments, and make good preparation in various aspects to lay a foundation for the comprehensive implementation of the "Regulations." Although the Ministry of Chemical Industry is in charge of the management of chemicals under supervision and control, the work is still inseparable from the great support of various social sectors. Only if we join hands and make common efforts can we do the work well.

PRC: Liu Guoguang on Macroeconomic Policy Debate

HK2506022296 Beijing JINGJI RIBAO in Chinese
13 May 96 p 6

[Article by Liu Guoguang (0491 0948 0342): "Analysis of Current Economic Situation and Macrocontrol Countermeasures"]

[PTS Translated Text for FBIS]

I

My analysis of China's economic situation in 1996 mainly deals with two major issues: First, has the "soft landing," which started in mid 1993, already had effect? When will this round of economic fluctuation reach its

lowest point and when will the economy start to rebound in a new cycle? Second, what countermeasures should we adopt in exercising macrocontrol and how should we define the orientation and weight of macrocontrol?

Opinions differ on the first issue. Some people claim that the country's economy will reach its lowest point in the first half of 1996 and will start to rebound in the second half; others believe that the economy will be at its lowest ebb at the end of 1996 and will not rebound until 1997; still others think that the year 1997 will mark bottom for the economy, and a rebound will not become likely until 1998. Whatever possibility, the key to this issue is, in financial analysis, the orientation of macrocontrol policy.

There are also three different views on the orientation of macrocontrol policy in 1996:

Those holding the first view believe it necessary to put a stop to the present moderately tight financial policy and turn to a policy of relaxation. In other words, they favor a change in the orientation of macrocontrol, mainly on the ground that the country is currently plagued by many problems, including the huge pressure of unemployment and the numerous difficulties faced by state-owned enterprises; meanwhile, thanks to the three-year-long implementation of a retrenchment policy, the "bottleneck" constraints on energy, communications, and raw and semi-finished materials have been eased, and a number of means of production have been left idle or have become overstocked.

Those holding the second view consider it a must for China to continue implementing a "moderately tight" policy without slackening efforts in this respect. Their main argument is that the "soft landing" has yet to show the desired effect, the situation of price rises remains grim, and there still exists tremendous inflationary pressure.

Those holding the third view believe that consideration should be given to all the reasons supporting the aforementioned two views. In other words, in line with the "moderately tight" financial policy which aims at maintaining a balance between total supply and demand, they think it necessary to conduct micro-level regulation according to the trends of economic fluctuation and price rises, and to continue to impose tight control on those fields which should be kept under tight control, while appropriately easing the control with stresses over other fields which can be let loose gradually and structurally. By saying that "tight control should continue to be imposed on those fields which should be kept under strict control," we mean that tight control should continue to be imposed over the overall scale of fixed assets investment, over the number of newly

started projects, over the construction of real estate and development zones, over the total amount of loans and newly issued currency, over financial expenditure and deficits, and over rises of commodity prices. By saying that "control can be eased with emphasis" we mean that support should be provided for the state enterprises which enjoy sound economic returns and marketable products to bring about an increase in effective supply. By saying that "control can be eased structurally," we mean that certain preferential policies should be extended to such "bottleneck" sectors as agriculture, infrastructure, and basic industries, and to key investment projects of the state with a view to ensuring an adequate supply of requisite funds for these sectors and projects and to promote the readjustment and upgrading of the industrial structure. By saying that "control can be eased appropriately," we mean that it is necessary for us to maintain the orientation and weigh of macrocontrol as appropriate, so as to avoid a drastic rebound in both the economic growth and inflation. By calling for efforts to "relax control gradually," we mean that the work should be carried out, in terms of time, in a planned way step by step with the lapse of undulating trends.

At present, each of the aforementioned three views on the orientation of macrocontrol policy in 1996 has its advocate and has its own ground. With the passage of time, an increase has been registered in the number of people advocating the first view, mainly people in localities and enterprises. I myself agree with the third view mentioned above.

Another major issue is how to bring price rises down to a level lower than the country's economic growth rate. Here, I would like to talk about the further implications of this issue.

II.

The first implication: If setting aside the ambiguous problems both in theory and practice concerning the link between price rises and the economic growth rate and then proceeding only from China's actual situation over recent years wherein the rate of price rises has exceeded the economic growth rate, it is justified for us to place the stress of our work, first of all, on the issue as how to bring down the unduly high rate of price rises to a level lower than the economic growth rate. Such a practice, in my opinion, is acceptable at the present stage, for it is based on the special situation in our country over recent several years.

The second implication: I think it inappropriate for people to consider the move of bringing down the rate of price rises to a level lower than the economic growth rate as a criterion for judging whether price

rises are acceptable and whether the economic operation is sound. This is because that, first of all, whether a price rise rate is acceptable is not determined by the rise or fall of the economic growth rate, but by many comprehensive economic and social factors within a certain period, including the income growth of residents, the income distribution gap between different groups of residents, the psychological bearing capacity of residents, and the capacities of commodity producers to withstand strains. Second, if the acceptability of price rises is linked with the rate of economic growth, we have failed to acknowledge an important prerequisite as whether or not the economic growth rate we are using has proved to be a reasonable, normal, and appropriate one. If the growth rate is one of an overheated economy, then can the rate of price rises which is lower than this economic growth rate still be considered acceptable? Take the case of a specific year for example, the rate of price rises in 1993 stood at 13.2 percent, which was lower than the 13.5-percent economic growth rate of the same year. Can we consider it a year of sound macroeconomic operation? The fact is: The year 1993 marked the peak of an overheated economy, a year in which the economic order was chaotic and we had no alternative but adopt the moderately tight policy aimed at reinforcing macrocontrol and rectifying the economic order.

The third implication: According to the principle of economics, what is linked with the rate of price rises is not a practical economic growth rate in reality, but the gap between the practical and the latent economic growth rates, or to say, the degree to which the real economic rate deviates from the latent economic growth rate. The so-called "latent economic growth rate" refers to a growth rate which can be attained under the condition that all the material, financial, and human resources of a society are put to normal and full use during a certain period. If the real economic growth rate exceeds the latent economic growth rate, commodity prices will rise; otherwise, prices are unlikely to go up. From this we can see that the latent economic growth rate is an objective criterion for judging whether or not the practical economic growth rate is normal and appropriate. Meanwhile, what merits our attention is that the link between the rate of price rises and "the gap between the real and latent economic growth rates" merely serves to illustrate the quantity changes between the two and should not be used as an answer to the question as to whether a certain price rise rate is bearable in society.

The fourth implication: Judging by the present situation of the country's economic structural transformation, factors affecting the rate of price rises include not only

the "gap between the real and latent economic growth rates," but also the factor of price reform concerning the structural readjustment, formation mechanism, and management mechanism of prices. The price rises caused by price readjustment and reform is not a same concept as inflation of a general sense. Therefore, when considering moves to control the rate of price rises, we should leave some leeway for a rational, normal, and appropriate price readjustment and reform. This leeway can constitute the floor for the control over the rate of price rises. Then, interest rates offered by banks should, in my opinion, be considered as the ceiling for the control over the rate of price rises. Of course, such interest rates are expected to vary alongside changes in both the overall economic situation and commodity prices.

***PRC: Noted Industrial Economist Comments on Promoting Pillar Industries**

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[Article by staff reporter Wu Yanchao (0702 1750 6389): "Focus New Economic Growth On Making Pillar Industries Prosperous: an Interview With Famous Industrial Economist Lu Zhen"]

[FBIS Translated Text] Lu Zhen [0712 2398] is a native of Jinzai County, Anhui. He is an economics Ph.D., a researcher, the deputy director of the Industrial Economics Institute of the Chinese Academy of Social Sciences and a graduate school professor. His research area is the theory and policy of industrial development. Major papers published by Dr. Lu in recent years include "Problems of Chinese Industrial Development in the 1990's," "Relationships of Reform, Development and Stability," and "On Improving the Quality of Industrial Growth."

During the period of the Ninth Five-Year Plan and the first decade of the next century, Chinese economic development will move towards the next step in its strategic objectives, as well as move toward the third step objectives; therefore we must focus our new economic growth on promoting pillar industries. Why? How do we implement this important step? What should pricing sectors do? With these questions, our staff reporter Wu Yanchao interviewed Lu Zhen, deputy director of the Chinese Academy of Social Sciences' Industrial Economic Institute.

[Wu] The CPC Central Committee has issued its "Proposals on Stipulating the Domestic Economic And Social Development Long-Term Goals for the Ninth Five-Year Plan and 2010", urging "the vigorous promotion

of the pillar industries", taking this as the new growth focus which will spur our overall economic development; please discuss the relationship between the pillar industries and economic growth.

[Lu] To discuss the relationship of the two, it is first necessary to understand the pillar industry concept. By pillar industries we mean those industries responsible for a huge proportion of our domestic economic growth and a big market demand, driving the domestic economy over a wide area. The pillar industries are different at different stages of economic development in different countries and regions. In the elementary stages of industrialization, in other words at the time when the average per capita income is about \$300, the pillar industry is the labor-intensive light textile industry, and usually reflects the rapid growth of the light textile industry; its development on the one hand is due to the fact that the organic component of capital in the light textile industry is low, and can absorb a great deal of labor for employment; on the other hand it is because both urban and rural people have low income levels with limited purchasing power, their market demand chiefly concentrated on low-priced consumption aimed at resolving their food and clothing problems. At the midpoint of industrialization, the lead position shifts gradually from light textiles to heavy industry. The development change of pillar industry is also reflected in two different characteristics: in the first stage of this period, resource and capital incentive industries are usually taken as the pillar industry, most significantly reflected in rapid growth of energy resource and raw material industries driving the development of other domestic economic sectors, and laying the groundwork for comprehensive achievement of industrialization. At the stage when industrialization accelerates in development, there is rapid growth in the processing and assembling types of heavy industry such as the machine and electronics, petrochemical, and automotive industry, etc., and the rapid growth of these sectors spurs rapid development of the overall domestic economy. As people have a higher level of personal income, their consumption patterns correspondingly change as well; it begins to turn to more valuable commodities, and the industrial production pattern must fit this sort of change; the development in the machine and electronics, petrochemical, and automotive and construction industries is precisely to suit this change in market demand. After industrialization has been accomplished comprehensively, the pillar industries in economic development will for the most part be replaced by high-tech and service industry. As these two sectors show the characteristics of rapid growth, a great deal of labor will move out from primary and secondary industry to the service industry.

[Wu] During the period of the Ninth Five-Year Plan, the Chinese Government has chosen the machine and electronics, petrochemical, automobile manufacturing and construction industries as pillar industries to drive our overall economic growth and mix upgrading. Why?

[Lu] Looking at China's current level of economic development, we can say that it has entered the midpoint of industrialization. On the one hand, China has built up a complete, modern industrial system and laid the foundation for industrialization, while the consumer product industry also appears to be in the situation of production exceeding demand; on the other hand, the industry mix is still quite backward, and a smaller proportion of industries are turning out more valuable products. For example, the sales volume from the largest 500 industrial enterprises last year was 1,289 billion yuan; calculated at the current foreign exchange rate, that is only \$155 billion, roughly the annual sales volume of the several Japanese auto manufacturers. The Bank of China, the China Chemical Industry Import and Export General Corporation, and the China Grain and Edible Oils Import and Export General Corporation are the Chinese companies that have made it onto the top 500 list worldwide. These are all concentrated in the financial and trade industries; no manufacturer has made it there yet. Meanwhile, in order to upgrade China's industrial structure, improve the overall quality of the Chinese economy, strengthen our domestic industries' international competitiveness and seek new points of growth for domestic economic development we must speed up our development of such industries as machinery and electronics, petrochemicals, automobiles and construction, etc., making them into our pillar industries during the period of the Ninth Five-Year Plan and the first decade of the next century.

[Wu] During the Eighth Five-year Plan, there was great development in China's basic industries. This has led some people to believe that we can now take it easy and focus on developing sophisticated processing industries. How do you view this sort of opinion? How can the pillar industries and our basic industries develop in coordination?

[Lu] As we discussed earlier, during the period of the Ninth Five-Year Plan, China's pillar industries will for the most part be the machinery and electronics, petrochemical, automotive and construction industries, as these industries have more sophisticated processing levels, supplying intermediate or terminal finished products; their development is dependent on the development of the basic industries: without the basic industries' development, the pillar industries will have nothing to feed on. For example, without development of the steel and energy resources industries, there would

be no reliable foundation for developing the automotive and petrochemical industries. If our road construction is too crowded, the automobiles we have would only be a decoration and burden. On the other hand, the development of pillar industry, especially the machinery and electronics industries, will help to improve the development level of all industrial technological equipment, reducing consumption of energy and raw materials and reducing the pressures on basic industry from supply shortages. So pillar industry and basic industry must develop in coordination.

Since the 1980's, and especially during the period of the Eighth Five-Year Plan, the state adopted a series of policies favorable to developing basic industries, including such measures as raising prices and relaxing the right to control prices. This helped the rapid growth of China's basic industry and greatly eased the "bottleneck" blocks. However, the backwardness of our basic industry has not changed fundamentally, and the per capita volume of energy, transportation, and public facilities we have are still below the world's average. Therefore, while we emphasize more rapid development of the pillar industries, it is not yet time to ease up on developing our basic industries. It is unrealistic to think we can take it easy. From the period of the Ninth Five-Year Plan to the year 2010, China's economic development will actually face a dual responsibility: we have to speed up both the industrialization process and push upgrading the industrial structure and industrial modernization while developing more high-value industry. This dual responsibility will certainly bring contradictions in the use of capital. Since our capital is limited, we must strengthen basic industry and develop pillar industry at the same time, coordinating these two and doing what we can in accordance with reality to pursue investment efficiency instead of rushing into developing the pillar industry. Doing otherwise will create a false upgrade in the industrial structure.

[Wu] One focus of our economic construction strategy for the Ninth Five-Year Plan and the first decade of the next century will be to push vigorously for a boom in the machine and electronics, petrochemical, automobile manufacturing and construction industries, letting these become the pillar industries as soon as possible in driving our overall economic growth and structural upgrading. Please give us your objective view of the current reality for developing these industries.

[Lu] We have to discuss by industry.

Ten years of construction and development have formed the machinery industry into a varied, large-scale industrial system. The gross production output value of the machine industry accounts for about 20 percent of the

national industrial output value, and the majority of machine industry product's production ability are listed in the world's top ranks, with the manufacturing ability of some large-scale series of machinery and electronics equipment reaching or approaching the international advanced level at the end of the 1980's. In 1995, China's electronics and machine industries passed the textile industry in volume of product exports, putting it at number one in earning foreign exchange through exports. However, there is still a large gap between China's machine industry and the advanced world level, lagging about 15 to 20 years behind overall. This lag is reflected most significantly in an oversized production capacity for ordinary products and insufficient capacity in the manufacturing of high-tech advanced and sophisticated machine products; this is too much supply on the one hand and too little on the other. Generally speaking, the machine industry is at a low level of technology, with the industry's foundations such as fundamental parts and fundamental techniques being especially backward, so the machine product manufacturing equipment is out of date. In addition to the heavy historical burden, machine enterprises have excessively high production costs; if we are to continue to explore the market, we have to try to cut costs and lower prices as much as possible.

The electronics industry has been the fastest growing industry since the 1980's: from 1979 to 1995, the electronics industry grew by an average 25 percent annually, twice the national average for all industry, while the manufacturing volume of color TV's jumped to the number one position in the world. The rapid development of various types of electronics products has improved and enriched the material and cultural lives of urban and rural residents alike, and electronics has become a very valuable industry for earning foreign exchange through export. Since the beginning of this decade, the manufacture of electronics telecommunications facilities has also grown at a rapid pace. Currently the major problems confronting development of the electronics industry are: first of all, the overall quality of the electronics industry lags significantly behind that of the developed industrial nations, especially in investing in the development and manufacture of big electronics products such as large-scale integrated circuitry. The gap here is great, and the products cannot satisfy domestic demand either in function or volume. Second, our high-tech electronics products are backward when it comes to ability to develop and provide support. Third, there is a very significant problem in the electronics industry with medium or low level overlapping development and scattered construction.

As for the automotive industry, there are two chief concerns right now: one, how to accomplish the automotive

industry's economies of scale, and two, how soon can these cars be a household consumption item. Concerning the economies of scale of the automotive industry, several years of effort have brought our three auto manufacturing bases to where they might reach economies of scale about the year 2000 or sooner, which will put them in a good position in domestic market competition. Some localities are still seeking new projects for the auto industry, but looking at the overall picture it is not necessary to add more spots. In the microscopic view, our lack of investment strength and inability to form economies of scale will put the future car market's competition into a passive position. As for the matter of cars becoming a household consumption item, it will not reach its peak within the next 10 years: this is because of two restrictions, limited household purchasing power on the one hand, and infrastructural limitations (highways, parking, etc.) on the other. So forecasts are that when China's three car bases reach the economies of scale production output volume, the industry may encounter the restriction of insufficient urban and rural household market demand. Car prices in China tend to be too high at present, with an enterprise receiving about 30 percent extra profits. The government's protective policies have on the one hand excessively scattered construction sites, resulting in an inability to weed out bad enterprises and a low degree of market concentration; on the other hand, high domestic car prices have created a very serious smuggling situation, which threatens China's development of a national automobile industry.

Regarding the petrochemical industry, China's current ability to process crude oil and its production capacity and output volume of ethylene, compound resins, compound fibers, and compound rubber have reached the world's top rankings, and the level of our production technology is gradually approaching the advanced world level. However, the development of the petrochemical industry is still not meeting the demands of domestic economic development. In the next 15 years, the chief assignments in developing China's petrochemical industry will be to continue expansion of production capacity, pay attention to economies of scale, install large-scale equipment, import and digest advanced technology, strengthen renovation of existing petrochemical enterprises' technology and cut down our distance from the world's advanced level.

The construction industry is a major industry which supplies an end product to urban and rural households, as well as an industry with the effect of driving and linking others. Future development of the construction industry will focus on urban and rural family housing. However, this industry currently has a low degree of marketization. Market development is not complete

and healthy, held back on the one hand by irrational allocation of housing and on the other by brokers who have driven land prices and housing prices ever higher; in some places in Beijing, housing prices have gone as high as 6,000 to 7,000 yuan per square meter, seriously violating the law of value. There is a rule in economics that an industry which has not formed real competition cannot be developed as a pillar industry, and since this industry's basic economic relationships are still irregular, it is impossible for the industry to have great development.

[Wu] You have just outlined the current development situation of the pillar industries in China; what problems do we have to solve to develop the pillar industries?

[Lu] There are three aspects to the problems awaiting resolution. One, resolve the problem of market concentration, forming economies of scale through competition to alter the current pattern of overlapping construction, concentrated settings and a high degree scattering so we can greatly reduce production costs and improve our competitiveness in international markets. Two, we must speed up the upgrading of our technology. The general situation in China is that the technology level of our pillar industries is 15 to 20 years behind the developed nations. So in speeding up development of pillar industries demand we speed up their technological progress as well. Three, we must speed up new product development, especially highly valuable products, to speed up product upgrading.

[Wu] What kind of supportive policies should the government adopt to push a pillar industries' boom?

[Lu] First of all, the government must stipulate a policy of being guided by the market, applying competition to promote development of pillar industries. Chinese pillar industries are mostly competitive industries, and we should encourage enterprises to join this competition and establish the competitive system, thereby eliminating inferior enterprises through competition. A very good example can be found in China's importing production lines in the 1980's for color TV's, refrigerators, and washing machines. At that time, because the state abolished directive planning and relaxed prices appropriately, a tough market competition formed which brought a decline in the number of enterprises which had high production costs and low quality, and ultimately brought on market concentration and formed an economy of scale. At present, the leading product of China's color TV industry is the 21-inch color TV, the leading washing machine product is the automated machine, etc., and these products can in general compete with foreign products.

Second, the government must selectively focus its nurturing of some projects. Pillar industries are characterized by high investment and high technology incentives, so the government must select good enterprises to foster the basic part of the machine industry, some parts of the auto industry, large-scale integrated circuitry in the electronics industry and large enterprises in the petrochemical industry. Because relying solely on market competition makes for a slow process in forming economies of scale, while government nurturing will soon push up both class and scale, it would be good to reduce the distance between the developed nations and ourselves as soon as possible.

Then, the government must stipulate related policy to encourage foreign investment in pillar industry. We must pay attention to several problems in foreign investment: one is vigorously directing and encouraging foreign investment on intermediate technology to improve Chinese enterprise's manufacturing capacity instead of developing the terminal finished products. Two is avoiding foreign investment's stock share controlling rights over Chinese enterprises to guarantee that the state-owned enterprises have capital and market control. Three is paying attention to improving the foreign investment's quality instead of blindly pursuing quantity.

[Wu] What do you think the pricing department should do to help the pillar industries prosper?

[Lu] The price department should help promote pillar industry in two ways. On the one hand, for products which implement the state's set price or the state-directed price, the state should make timely adjustments of the price according to changes in market supply and demand, thereby pushing product development; on the other hand, there must be vigorous development of the main entity of the market price-fixing major body, which will improve the market to form a price system. For products which have already opened in price, they must stipulate regulations which regulate the price behavior of enterprises. For example, there must be an absolute halt to industrial and commercial enterprises joining together to carry out price speculation and the avoidance of enterprises engaging in improper competition, etc. Meanwhile, fostering of these industries must be done in a way that distinguishes them. For example, price management in the machine industry should focus on encouraging enterprises to reduce costs. In the electronics industry the focus should be on encouraging enterprises to increase production of highly valuable products. In the construction industry, especially commercial buildings, the focus should be on stipulating prices according to the law of commodity value to put a stop to speculative behavior.

***PRC: Difficulties in Reforming State-Owned Enterprises**

96CM0287A Beijing ZHONGGUO QINGNIAN BAO
in Chinese 26 Mar 96 p 7

[Article by Liu Yisheng (0491 5030 3932), Tangshan Iron and Steel Corporation deputy general manager: "Five Difficulties in Reforming State-Owned Enterprises"]

[FBIS Translated Text] Five difficulties are involved in deepening reform of state-owned enterprises:

1. One difficulty is the fact that these enterprises and the government have long been merged as one, and any change in the former affects society itself. In the last half century, China has practiced a state-owned enterprise system, which the people regarded as an embodiment of the socialist system, and the country's laws and regulations, government's administrative practices, standards of individual actions as well as moral concepts are seen as all linked to the state-owned enterprise system. State-owned enterprises in turn shoulder numerous societal and governmental functions. These enterprises are referred to by people not only as "appendages" of the government but also its formal "administrative organs." Therefore, any attempts at renovating such a system involves great changes not only of the system itself, but also the entire management system of the government as well.

2. Another difficulty is that reform affects the interests of practically every person in society. For the enterprises, while the workers may receive more economic benefits than in the past, at the same time they also face increased labor pressure and the dangers of layoffs and unemployment; for the factory managers, while they may gain greater independence and authority in production than before, at the same time they also lose the protection of government and have to face ruthless market competition and they therefore have a lot to worry about. From the government's standpoint, some officials, accustomed to their ironclad jobs, may have to change fields and abandon the expertise they have acquired, while others may even have to step down and look for other employment, and these circumstances unavoidably cause many to be hesitant. It is precisely because self interests are involved that in reforming state-owned enterprises an internally generated impetus is clearly lacking.

3. Still another difficulty is how to carry out an historically unprecedented large-scale, systemic reform project without adequate preparations, indeed when no advanced preparations are possible. To begin with, research into the theoretical basis of this undertaking lacks

sufficient depth and timeliness. For examples, what are the necessary conditions for establishing a modern enterprise system? If only state-owned assets are involved, does it mean the splitting up of proletariat ownership of assets? If the latter approach is pursued, would advantages outweigh disadvantages, or visa versa? What are the special characteristics of our country's state-owned enterprises, which are the strong points to be further developed, which are the defects to be eliminated? What after all are the functions of state-owned enterprises, how many different types or categories should they be divided into, and how should each be managed? And what kind of new system should be established between enterprises and the government, and so forth. If answers to such questions from a theoretical standpoint are not available, enterprises left to their own devices would haphazardly make a mess of things which would impact on the efficacy of any reform. In addition, systematic data is lacking from a central body which coordinates state-owned enterprise reform. Granted that at the beginning of reform, the relevant departments have submitted their "Proposals for Trial Implementation" and set forth an "Incorporation Law," but these are aimed mainly at parts of the enterprise internal structure (e.g. Board of Directors, Board of Supervising Managers, etc.) or its operational system (e.g. labor personnel, financial, etc.) and not at providing a concrete overall concept for micro-to-macro reforms. Lacking not only are any systemic plans to reform key elements of the enterprise internal mechanism, but also any comprehensive series of steps for reforming various departments of the government. First, taking steps to provide overall systematic planning is absolutely essential. Second, such overall planning must also fit in the larger context of the Chinese society; this means that plans which might have been successfully implemented in foreign countries should not [without modifications] be applied directly to China. Third, the work of various government departments appear to lack strong and forceful coordination. For example, over 2,000 enterprises in China have engaged in trial implementation of a modern enterprise system during the last two years, but to date relevant comprehensive documentation has not all been made available, which compounds the difficulties of the reform task.

4. One difficulty which has persisted is the fact that government and enterprise reforms are intertwined with one effecting the other. While the government has made great efforts to reform the enterprises, it has clearly not made similar efforts to reform itself. And some of the reforms the government has undertaken are not standardized, one example is the fact that some officials who [leave the government to] go into business would take their official authority with them. Such

irregularities tend to disrupt the market and create great difficulties for reform.

5. Finally, another difficulty is that while the goal of reform is for the enterprises to adjust to demands of a market economy, the methods and tactics taken are often those of a planned economy. This is the kind of reform where one has to work twice as hard for half the result.

To deal with the above-cited difficulties involved in deepening state-owned enterprise reform, the following are recommended:

A. Tackle the task of reform by launching a trial implementation of the modern enterprise system, particularly speed up reform of the external environment of state-owned enterprises. The government should focus efforts at drawing up and improving market regulations, creating a competitive environment, clarifying the status of investment assets, improving social protection and welfare, and creating an external environment in which enterprises not only must but also want to carry out reforms.

B. Expand the State Council's plan which involves 100 different companies engaging in trial implementation in a modern enterprise system and 18 cities in improving their capital structure. For under market economic conditions, it would be more difficult to get results from reform if it involves only a small number of enterprises or the capital structure itself. Is it not possible to learn from the experiences in establishing the Shenzhen Special Economic Zone in the early days of reform and proceed to carry out comprehensive systematic reforms? If a similar approach is applied in several geographic areas at the same time, this possibly will lead to great changes throughout the country.

C. Establish an supra-bureaucratic organ with authority to coordinate various government departments and provide unified organizational leadership for reform, getting away from the current situation hedged by rules and regulations in which only piecemeal approaches can be taken.

D. The lack of clear-cut production authority is an obstacle to enterprise reform; in dealing with this problem, however, one faces the phenomenon of "internal strictness and external laxness;" i.e. fierce bureaucratic struggle takes place over any internal question of exactly which level of government or which department should manage state-owned assets, but when the question involves participating in joint ventures or evaluating state-owned assets for listing abroad, the approach is invariably lax. In reality, after numerous changes in jurisdiction over state-owned assets during the last sev-

eral decades, the question of amounts of asset and their jurisdictional control cannot clearly be sorted out and, even if they could, they may not mean very much. Since the State Council represents all holders of state-owned assets, and it is the State Council that delegates asset management to each region or department, is it not possible for the government to establish a unified set of ratios, clearly define the values and amounts, and specify which subordinate unit should bear the responsibility for asset management and growth in behalf of the government? As for projects which will require new investments by various regions and departments, the amounts each invests in the projects should be made explicitly clear. At the same time, attention should be focused on handling of jointly funded ventures and the evaluation of state-owned assets for listing in foreign markets to avoid the loss of such assets.

E. Strengthen studies into the theoretical basis for deepening state-owned enterprise reform.

***PRC: Impact of 1996 Tariffs on Machine-Building Industry**

96CE0265A *Beijing JIDIAN RIBAO* in Chinese
18 Apr 96 p 2

[Article by Cui Shixin (1508 0577 0207), Director of the Department of International Cooperation, Ministry of Machine-Building Industry: "Impact of 1996 Import Tariff Policy on Machine-Building Industry"]

[FBIS Translated Text] China's general tariff rate dropped from 35.9 percent to 23 percent beginning 1 April 1996, of which the machinery products (excluding motor vehicles) declined from 21.73 percent to 15.86 percent. Clauses on tax reduction and exemption were abolished. These measures have had a tremendous impact on developing China's policy of reform and opening-up and on establishing its socialist market economic system. They are of great significance in winning the three major campaigns put forward by the 1996 national conference on the work of the machine-building industry during the period of the "Ninth Five-Year" Plan. These three campaigns are that China's machine-building and automobile industries must concentrate their efforts in improving their production quality, optimizing their organizational structure, and enhancing their abilities for development, in order to develop the industries with science and technology and to enter the first stage for revitalizing the economy. Meanwhile, these measures will directly affect the imports of mechanical and electrical products and the policy decisions of various machine-building enterprises in carrying out production and business operation.

The 1996 policy on import tariffs clears up the policy-oriented provisions of tax reduction and exemption which do not conform with international practice. It will help state-owned enterprises enjoy the same treatment as enterprises with foreign investment and creates conditions for state-owned enterprises to compete with foreign businesses on an equal basis.

Customs duties and the import turnover tax are important means to exercise macro control over the economy. Also, they are the major sources of revenues of the central authorities. Right now, the nominal tariff rates in China are higher than the average tariff rates in developing countries, but the actual taxes levied are quite low in our country. A great deal of taxes are reduced and exempted because of policy. They mainly include materials imported for projects with foreign investment, projects for technical transformation, Chinese-foreign joint ventures, cooperative enterprises and enterprises solely owned by foreign capital, and special economic zones. Most of such imports are mechanical and electrical products. It can be said that the mechanical and electrical products made in China have been basically competing with tax-free imported products for the past several years. Meanwhile, enterprises manufacturing mechanical and electrical products in China have to pay import duties for the crucial parts imported and used for the development of imported technologies. All this creates an environment of unfair competition. The machinery produced in China is of low quality. It is unstable and less reliable. Our machine-building industry is not well organized. Many departments in the industry are repetitious in function and scattered all over the country. Under these circumstances, it is hard to grow rapidly. Also, its ability to develop itself independently is limited, and it has less staying power for growth. As a result, the market share of many of the machinery products is universally dropping. It really worries us. The provisions formulated by the State Council to clear up policy-oriented tax reduction and exemption will help China's economic system to dovetail with the international practice, build a mechanism of equal competition for the development of the socialist market economy in China, and promote a healthy development of our national economy. They will help the state to effectively and rationally assess its various investment projects; and revitalize and develop the machine-building and automobile industries in the country.

New import taxation policies will basically halt tax reduction and exemption for imported commodities. It will impose customs duties and the import turnover tax on imports according to the statutory tariff. It will make end-users who originally plan to

use imports to choose Chinese-made equipment, and help revitalize large and medium-sized state-owned enterprises.

Importers who originally enjoyed tax reduction and exemption will have to pay taxes according to new rates (including a 17 percent value-added tax). A preliminary estimate shows that the cost of imports will be increased by 43 percent for general purpose machinery, 41 percent for petrochemical machinery, 41 percent for heavy mining machinery, 35 percent for engineering machinery, 35 percent for farming machinery, and 41 percent for machine and hand tool machinery. Of the machine tools, the cost of imports will be increased by 30 percent for numerically controlled lathes and 41 percent for electrical machinery. Of the electrical machinery, the cost of imports will be increased by 25 percent for thermal power generators with a generating capacity of more than 350,000 kw, 40 percent for thermal power generators with a generating capacity of less than 350,000 kw, 40 percent for hydraulic power generators, 35 percent for instruments and meters, 35 percent for basic machinery parts, and 41 percent for food and other packing machinery.

The new import taxation policies attach importance to readjusting tariff structure, detailing the tax items, and widening the gap of different import tariffs for raw and semifinished materials, components, and parts, as well as complete sets of machinery. They help enterprises in machine building to reduce their cost in importing major components, digest imported technologies, and promote technological progress.

The tax regulations which China implemented prior to 1 April 1996 were gradually formulated on the basis of its first "Tariff Regulations" in new China in the early 1950's. Following the deep-going reform of China's economic system and the daily expansion of its economic ties with foreign countries, tremendous changes have taken place in the structure of import and export commodities. The high tariff rates and the tariff structure formed under the highly planned economic system have been founded irrational. They are mainly manifested as follows:

—In the structure of tax items, the tax items in the tax regulations were relatively vague in the past. They could not fully demonstrate the relevant industrial policies and tariff policies of importing major commodities.

—In the tax rate structure, tax rates for consumer goods were excessively high, while the gaps between rates for investment products, raw and semifinished products were relatively small. The tax rates for some raw materials were higher than those for finished products

using such raw materials, making tax rates inverted. All this was harmful to developing investment products and industries in China.

In view of the this situation, new taxation policies have been adopted on the basis of the following principle:

Efforts are made to lower the general tariff rate, while rationalizing the tariff structure. Emphasis should be placed on solving the problem of inverted tariff rates. The industrial policies should be implemented while readjusting the structure of tax items. Tariff rates must be formulated and readjusted in accordance with the industrial policy.

On the basis of the aforementioned principle, a ladder-shaped tariff rate structure linked with the degree of processing has been formed. The new taxation policies treat most of the electric and machinery products as primary products (such as steel ingot), semifinished products (such as rolled steel), finished products (such as machinery parts) and deeply processed products (such as machine tools) in forming this structure. Meanwhile, they lower taxes for products on which tariff rates are high, and reduce taxes for products on which tariff rates are lower so that the tariff rate structure is conducive to developing the basic industry. According to a preliminary estimate, the tariff rates for major parts imported by machinery enterprises have been reduced by approximately 42 percent, and those of raw and semifinished products by approximately 45 percent. The cost in importing machinery is reduced by about 5 billion yuan each year.

The new import taxation policies have also added some tax items in accordance with the following principle:

In order to do a good job in implementing the state industrial policy, taxes of different rates will be levied on listed commodities and other commodities of the same category. For example, pumped-storage power generating units with a power generating capacity of 200,000 kw are mainly imported into China right now. Before they are separately listed, they and the hydroelectric products are placed under the same category and share tariff rate. The relatively high tariff rate for these power generating units pushed up the production cost of the enterprises. After those 200,000 kw pumped-storage power generating units are listed separately, the tariff rate for these generating units can be reduced. This helps develop China's power industry, while exerting little impact on the production of hydroelectric facilities in the country.

In order to help compile statistics of commodities listed in the tax regulations, some tax items have been added such as a controlled atmosphere heat treatment furnace,

oxygenator, electric mining shovel, electrically discharging dumper, automobile crane chassis, and others.

New import taxation policies greatly lower the tariff and import tax rates for high and new technological products. They help various machine-building enterprises import advanced technologies and equipment, and raise standards in the machine-building industry. They also help machine-building enterprises improve the quality of their products, add more production varieties, increase the domestic market share of their products, open up the international market, and achieve the goal of integrating imports with exports, using exports to promote imports, and utilizing imports to expand exports.

In working out the plan for readjusting tariff rates, we have made an estimate on major products, and carried out studies and an analysis of each tax item. We have kept the revenue of the state in mind, while insuring a rational tariff structure. We keep our domestic needs in balance and maintain normal imports, while effectively protecting the national industry. With all this in mind, we have worked out a tax-reducing plan while keeping the calculated tariff rate at 23 percent. This plan reduces tariffs on machinery products in the following manner. The tariff for general purpose machinery is reduced from 26.8 to 19.2 percent, that for petrochemical machinery from 21.4 to 16.3 percent, that for heavy mining machinery from 19.8 to 16.2 percent, that for engineering machinery from 15.7 to 13.6 percent, that for farming machinery from 15.6 to 13.5 percent, that for machine and hand tools from 23.5 to 16.2 percent, that for electric machinery from 21.7 to 16.1 percent, that for instruments and meters from 22.7 to 16.2 percent, that for basic machinery parts from 17.7 to 13.3 percent, and that for food and other packing machinery from 19.5 to 14.6 percent.

In this plan, the tariff rates for some products connected with various enterprises are adjusted as follows:

—Electric and machinery products of an investment nature. These products are mostly key products imported by enterprises for developing technical innovation projects. Tariffs are greatly reduced for the products that enterprises are unable to obtain domestically and must import from abroad to develop technical innovations. Necessary minor adjustments have been made in tariff rates according to the changes in the tariff structure for those imported products, the tariffs for which are relatively reasonable. Tariffs are greatly reduced for products that fail to meet supply demands in the country and which are in great shortage in order to achieve the goal of increasing the tax base. Meanwhile, measures have been taken to widen the gap between tariffs for parts

and those for semifinished and finished products, and form a rational ladder-shaped tariff structure in dealing with products in the same category. This has basically solved the problem of inverted tariff rates. According to the new plan, the average calculated tariff rate for electric and machinery products of an investment nature is approximately 14 percent. The percentage of tariff reduction is about 36 percent.

—Mechanical and electrical consumer products. China has greatly expanded its production capacity, improved the production quality of mechanical and electrical consumer products—particularly home appliances, and basically satisfied the demands in the domestic market. With the approval of the State Council, China had abolished the interim and special tax reduction and exemption regulations on mechanical and electrical consumer products last year. In order to help expand the tax resources and curb smuggling, tariff rates on some of the consumer products in this category have been reduced in an attempt to encourage legal imports and increase tax revenue. The average calculated tariff rate on such consumer products under the new plan is 43 percent. The percentage of tariff reduction is approximately 28 percent.

—Power generating equipment. China is already able to turn out mixed-flow and axial-flow turbines in batch production, and the quality of such products made in China has reached the advanced world level. It is also able to produce a certain amount of through-flow, impulse turbines and water pumped-storage power generators. However, products in some varieties are still in shortage. Therefore, the new plan sets the tariff rate for through-flow turbines and water wheels with a power generating capacity of greater than 35,000 kw at 14 percent, that for impulse turbines and water wheels with a power generating capacity of greater than 30,000 kw at 12 percent, that for water pumped turbines and water wheels with a power generating capacity greater than 200,000 kw at a relative lower rate of 10 percent, and that for other water turbines and water wheels at 16 percent. While still applying the same tariffs for thermal power generators with a generating capacity of greater than 350 megawatt and 2,350 ton/hour, the new plan sets the tariffs for other thermal power generating equipment at approximately 20 percent.

—Machine tools. Considering the fact that the tariff rate for numerically controlled machinery was lowered since 1944 from 15 to 9.7 percent, which was lower than that in other developing countries, we have not lowered this rate further this time, and decided to maintain the current rate. The tariff rates for general purpose machine tools is now between 25 and 35 percent. Although they are slightly higher, we decided not to lower them further,

as China is now able to produce most machine tools at home and to satisfy its needs. Therefore, only the tariff rate for metal-working machine tools was readjusted to approximately 18 percent and that for metal grinding machines was lowered to approximately 20 percent as there are still differences between such machinery imported and those made in China. A 25 percent tariff is set for all other ordinary machine tools so as to protect the domestic machine tools industry.

—Engineering machinery. By introducing advanced technologies from abroad, the engineering machinery industry in China has expanded its production capacity, and improved production quality and after services. The majority of the products made in China are able to satisfy the needs in the country. However, imports including a large number of used machinery generally enjoy preferential treatments. This has battered domestic enterprises, and created a negative growth rate in the engineering machinery industry during the past two years. Therefore, the tariff rate for engineering machinery is only slightly reduced from 20 percent to 16-18 percent.

—Cameras and copying machines. The existing tariff rates for cameras and copying machines are 50 percent and 40 percent respectively. The excessively high tariff rates have encouraged smuggling and irregular imports instead of helping control imports, protect the national industry, and increase the state revenue. Therefore, the new plan has readjusted the tariff rate for finished units of copying machines to 25 percent and that for components and parts imported by domestic enterprises in production to 15 percent in order to crack down on smuggling and irregular imports. As for cameras, the tariff rates for components and parts are lowered. The tariff rate for assembled cameras is only slightly readjusted. It is still in the range of 40 to 50 percent.

—Industrial raw materials and semifinished products. These materials and products are extremely important imports in China. Their varieties and quantity are closely related with the speed and quality in developing the national economy. In order to protect the domestic resources and raise the effective rate of protection, we should adopt relatively low tariff rates for industrial raw materials and semifinished products. We should keep the tariff rates low for those resources that cannot be recycled. In accordance with the market supply and demand and the actual development in relevant industries, we should also adequately protect some industrial raw materials.

Applying a provisional tariff rate for some products which machine-building enterprises import in large quantities will help enterprises reduce their burden,

raise their economic efficiency, and quicken their steps in carrying out reform.

The open provisional tariff rates are approved by the tariff legislative department. Applying certain tariff rates within a time limit on some specific commodities tallies with international practice. These specific commodities are divided into the following four categories:

—Commodities (such as power generating equipment and materials) that are in short supply in China. However, the state is making large investments in development. It is inadvisable to lower the legal tax rates. In dealing with commodities in this category, we should levy import taxes at a lower rate than that specified by the tax regulations before the amount of such equipment and materials produced in China can satisfy the market demand. This will help ensure production by various enterprises. After the commodities produced in China are able to meet the domestic requirements, we should restore the use of the tariff rates specified by the tax regulations.

—In dealing with equipment that we need to import in support of major national construction and technical innovation projects and those commodities that cannot be produced in China or whose quality of domestically manufactured products fail to meet specifications, we should levy taxes according to provisional tariff rates during a certain period in order to carry out the industrial policy of the state (such as the wuzhou [0063 6519] linked processing center and so on).

—In dealing with commodities with low tariff rates (such as auto-crane chassis) which are short in supply or cannot be produced in China, we may need to levy import taxes according to provisional tariff rates, because we are restricted by the tariff structure. We will disrupt such structure if we adjust the legal tariff rates before the new tax rates are actually enforced.

—Due to an irrational tariff structure, there exists a phenomenon of inverted tariff rates. However, if we solve this problem by adjusting our tax regulations, it will affect the tariff rates for other products. In this regard, we should turn these tariff rates into open provisional tariff rates. For example, the tariff rate for gasoline engines used in a power generating unit, gasoline and diesel engines used in engineering machinery or in any power generating unit or in any engineering machinery is set at approximately 16 percent, while that for just gasoline engines is set at 20 percent. It is hard to distinguish a gasoline engine from the gasoline engine used in an automobile in terms of tariff rates.

The new tariff rates also have some harmful effects on the development of the machine-building industry. From a short-term point of view, this will increase the cost in importing supplies for carrying out technical innovations and utilizing foreign investment, make machine-building enterprises pay more taxes according to the regulations, and effect their economic performances. However, we must realize that these are the measures taken by the state in order to exert even greater efforts in carrying out reform, to open the country wider to the outside world, and to gradually keep pace with international economic practices. Various enterprises should work hard to strengthen their internal management, and accelerate their growth in the course of bringing about the two changes [in the economic system and the mode of economic growth].

*PRC: Symposium Evaluating 1995 Economy, Forecasting 1996 Economy

96CE0332A Hong Kong CHING CHI TAO PAO [ECONOMIC REPORTER] in Chinese 15 Apr 96 No 15, pp 8-9

[Article by Wang Yen-chen (3769 1750 3819): "The Chinese Economy Moves from a Period of Tightness to One of Reasonable Growth—Sidelights of a Forum on 'The 1996 Prospects for the Chinese Economy'"]

[FBIS Translated Text] At an 11 April forum on "The 1996 Prospects for the Chinese Economy," [PRC] State Statistics Bureau director, Professor Zhang Sai, and State Statistics Bureau chief economist, Professor Qiu Xiaohua [6726 2556 5478], gave a comprehensive briefing and in-depth analysis of Mainland China's 1995 economic conditions, economic prospects for 1996, and state macroeconomic policy direction.

Macroeconomic Regulation and Control Goals Are Essentially Met

Since mid-1993, Mainland China has taken the following three major macroeconomic regulation and control steps: 1) It has started by improving its investment and financial order, to control excessive demand growth; 2) It has adjusted its industrial structure, raising the supply capacity of "bottleneck" industries, mainly agriculture, to provide good material grounds for controlling prices; 3) It has pursued a macroeconomic policy in areas such as tax revenue, foreign exchange, and finance, supporting the implementation of its macroeconomic regulation and control policy. After nearly three years of efforts, it has essentially met its set macroeconomic regulation and control goals, which can be seen as follows:

1. Overall public supply and demand are essentially balanced. The preliminary projection is that the 1995

supply-demand gap was -4.8 percent, within a normal range. That also makes this the first time since 1991 that the supply-demand gap has been under -5 percent (See following table).

Overall Supply and Demand Balance

	1991	1992	1993	1994	1995
Overall Public Supply	24,547.	30,589	39,981	56,049	68,716
Overall Public Demand	25,529	32,583	42,900	59,524	72,014
Gross Supply-Demand Margin	-982	-1,994	-2,919	-3,475	-3,298
Gross Supply-Demand Gap	-4.0	-6.5	-7.3	-6.2	-4.8

2. The economy is generally continuing to decline steadily to a reasonable growth range. An analysis of China's human, material, and financial resources, "bottleneck" industry limitations, and domestic and overseas demand developments, shows that a reasonable economic growth range for the current stage is 8-10 percent. Higher than 10 percent would make it hard to control inflation, while lower than 8 percent would make it hard to keep the unemployment rate from rising. Starting with the reasonably tight macroeconomic regulation and control policy of the last half of 1993, over two years of efforts have essentially met the set goals. The annual GDP growth rate had declined to 10.2 percent by 1995. The initial data show the 1995 GDP to have reached 5.7733 trillion yuan. In particular, there have been bumper agricultural harvests, with staple farm product output up overall, including gross grain output reaching a record 465 million tons. And lines such as livestock raising and fishery have also developed sharply.

3. The inflation rate is down markedly. China's inflation peaked for this economic cycle in 1994 at an annual rate of 21.7 percent. But in 1995, the rises in market prices throughout China declined monthly in comparison to those of 1994. The rises in the retail commodity price index declined from 21.2 percent at the beginning of the year to 8.3 percent by December. Consumer price index rises declined from 25.5 percent at the beginning of the

year to 10.1 percent by December. So the 1995 rise in the retail commodity price index was down to 14.8 percent, 7 points lower than in 1994. Meanwhile, new price-rise factors accounted for only around 5 points of that. And the consumer price index rise was down to 17.1 percent, 7 points lower than for 1994.

4. International payments are better balanced. China's 1995 trade surplus was \$16.7 billion, up 209 percent from 1994. Direct foreign investment reached \$37.7 billion, up 11.7 percent from 1994. There was a surplus of payments, with year-end national foreign exchange reserves reaching \$73.6 billion, up 43.8 percent from 1994. Exchange rates were stable with some minor volatility, with the exchange rate of the RMB to the dollar now at roughly at 8.3:1.

5. Living standards are further improved. The 1995 urban per capita cost of living income was 3,893 yuan, up a real 4.9 percent corrected for inflation. Rural residents, due to factors such as production development and higher farm product prices, saw faster income growth, with their 1995 per capita net income reaching 1,578 yuan, up a real 5.3 percent, higher than the urban income growth for the first time. Individual savings deposits reached 813 billion yuan, up 37.7 percent from the end of 1994.

6. The unemployment rate is still endurable [sustainable]. The registered 1995 urban unemployment rate was 2.9 percent, up only 0.1 point from 1994.

All of this shows that China's macroeconomic regulation and control is working. This can be seen mostly in that the regulation and control has gradually brought the macroeconomy from excessive growth to stable development, with output and demand having been gradually regulated and controlled within viable limits on current terms. This round of regulation and control has been so successful because its force and timing were right, with economic, legal, and administrative regulation and control means being used comprehensively.

The Chinese Economy Moves from a Period of Tightness to One of Reasonable Growth in 1996

Chinese economic development enjoys the following favorable terms in 1996: 1) The bumper 1995 agricultural harvests have laid slightly better material grounds for China's 1996 economic development, particularly for curbing inflation; 2) With 1995's macroeconomic relations better harmonized, if that continues, it will promote sound economic development; 3) The all-out recovery of the international economy, particularly the rapid growth of the East Asian economy, will provide more international room for Chinese economic development. But China's economic development is also faced

with certain adverse factors in 1996: 1) The quite high inflation rate will limit the rapid growth of the Chinese economy; 2) The operating difficulties of some enterprises will weaken the microeconomic vitality, thus limiting to a certain extent the further harmonization of macroeconomic relations; 3) The agricultural base remains quite weak, unable to withstand the shock of a large-scale disaster, which is a sharp security concern for the rapid development of the Chinese economy.

So China's 1996 macroeconomic regulation and control is aimed at maximizing the favorable factors and minimizing the adverse ones, to promote the sustained, balanced, and sound development of the Chinese economy.

The Central Economic Work Conference at the end of 1995 and the Fourth Session of the Eighth NPC [National People's Congress] in 1996 have set forth the economic development plans for 1996 as keeping the economic growth rate at 8 percent, while controlling retail price rises at around 10 percent. And while economic development practice may bring some change, it needs to be noted that this 8 percent and 10 percent reflects the best combination of all above-mentioned terms.

To meet these targets in our 1996 economic work, we will need to continue to pursue the basic principles of "seizing opportunities, intensifying reform, opening up wider, promoting development, and preserving stability," focus closely on the crucial link of the "two conversions," or of our economic system and our economic growth form. And in our specific operations, we will need to do a scientific and sound job in the following areas.

1. We need to control the regulation and control force [dynamic] well, to achieve stable economic growth. As developments show that 1996 will be a turning point in this cycle of economic prosperity, with both the inertia for a sustained decline in our economic [growth] rate, as well as the possibility that it will rebound rapidly, it will be of primary importance to control our overall regulation and control force well to prevent economic volatility. 1) We should not ease up on our macroeconomic regulation and control force, continuing rather to persist in a reasonably tight policy. That is because under our current system, any easing would quickly increase public demand, particularly investment demand, to probably bring a sharp rebound in inflation. 2) But neither should we intensify our control force as, through two-plus years of macroeconomic regulation and control, economic problems such as too fast economic growth and too brisk investment growth have been improved markedly,

with our overall conflict between supply and demand clearly eased, and our economic prosperity [boom vs bust] in a more reasonable range. So while keeping our regulation and control force relatively steady, we need to "fine tune" it in a timely way in line with the state of our economic operations.

2. We need to intensify our structural adjustment force, for a gradual optimization of our structure. As an irrational structure is now the most glaring conflict in the Chinese economy, we need to make intensified structural adjustment force a 1996 economic work priority. But to optimize our structure and improve our economic operating quality, we will need to continue to intensify reform, as well as supplementing it with a certain slanted investment policy. As to incremental [quantitative] adjustment, grounded in maintaining a reasonable overall investment level, we need to vigorously develop basic industries such as agriculture, power, transportation, and posts and telecommunications. As to inventory [qualitative] adjustment, we need to adjust our enterprise organizational structure and product mix faster, to sharply increase effective supply. And we need to take effective steps to gradually convert our economic growth form from extensive to intensive.

Our 1996 structural adjustment priorities are: 1) Agriculture. China's most severe structural problem is now in agriculture. As our agricultural base is weak, with farm product supply and demand in a state of tight balance, the state of agriculture will directly affect the balance of our economic development, the stability of our prices, and the improvement of our living standards. So in 1996, we need to pursue various preferential policies to support agriculture better and to stabilize the fundamental status of agriculture. 2) We need to focus on adjusting our state enterprise organizational structure faster. Through faster state enterprise and related [co-ordinated] reform, particularly reform of finance, social security, and government functions, we need to create the system grounds for such adjustment. As to actual operations, while emphasizing large enterprises, we need to upgrade and reform medium and small enterprises faster, in a conscientious effort to make our stock assets liquid, deploying our assets more rationally to raise our economic efficiency as fast as possible.

3. We need to continue to control inflation and reduce price rises. While our price rises declined markedly in 1995, they are still high. So in the new year, we need to continue to lower our price rises, stressing the three areas of controlling demand (mainly investment demand), increasing supply (mostly farm product supply), and lowering costs. But meanwhile, we need to scientifically control our price-raise force (as to timing, spacing, and category), exercising overall control, and cracking down

harder on all violations of law and discipline, to ensure a normal economic order, particularly as to circulation.

In short, if our 1996 reform and regulation and control are suitable, our economy will move generally from a period of tightness to one of reasonable growth, with inflation also continuing to be curbed effectively. So based on state plans, macroeconomic model projections, and empirical judgment, our 1996 major macroeconomic indexes are quite likely to be within the following ranges:

A. Economic growth rates (at comparable prices). GDP: approximately 8- 9 percent; industrial value added:

around 13 percent; agricultural value added: about 4 percent.

B. IFA [investment of fixed assets]. National IFA: growth of approximately 18 percent; investment rate: roughly 33 percent.

C. Gross retail consumer goods sales: growth of around 19 percent.

D. Imports and exports. Gross exports: up around 9 percent; gross imports: up about 17 percent.

PRC: Huangpu Alumni Criticize Taiwan Leaders
OW2406152196 Beijing XINHUA Domestic Service
in Chinese 1015 GMT 18 Jun 96

[By RENMIN RIBAO reporter Li Dejin (2621 1795 6855) and XINHUA reporter Zhu Dongju (2612 0392 5468)]

[FBIS Translated Text] Beijing, 18 Jun (XINHUA) — The Huangpu Military Academy Alumni Association held its 1996 Executive Committee meeting in Beijing today to sum up work from 1995 to 1996 and map out schedules for 1996 and 1997.

Wang Zhaoguo, vice chairman of the National Committee of the Chinese People's Political Consultative Conference and head of the CPC Central Committee United Front Work Department, attended the opening session.

Entrusted by the Conference of the Presidential Office, Li Moan, president of the association, presented a work report to the meeting. Li Moan said: In response to the Taiwan authorities' perverse acts on the question of motherland reunification, all members of the association have, together with the people across the country, taken an active part in the struggle against secessionism and "Taiwan independence;" and have, through social and friendly gatherings, enhanced the one-china consensus with Huangpu alumni in Taiwan. Through assemblies and forums, the association has also called on alumni across the strait to involve themselves in the struggle against separation and "Taiwan independence," thus making contributions toward the peaceful reunification of the motherland. Meanwhile, associations in various parts of the country also organized seminars and training courses to enhance the cadres' ideological and theoretical level and the professional quality of work personnel.

In his opening address, Mo Wenhua, vice president of the association, said: Since 1979, guided by the CPC's basic principles of "peaceful reunification and one country, two systems," and with the common efforts of people of all sectors and the patriotic compatriots across the strait, considerable progress has been made in cross-strait relations. However, as certain leaders of the Taiwan authorities — who persistently pursue the stand of splitting the motherland — and the anti-Chinese forces in foreign countries have used each other to conduct activities aimed at creating "two Chinas" and "one China, one Taiwan," the development of cross-strait relations has been disrupted. Mo Wenhua called on all Huangpu alumni to adhere to the principles of "peaceful reunification, one country two systems;" inherit and carry forward the patriotic revolution and the Huangpu spirit; be united in waging struggle; and

push forward the process of peaceful reunification of the motherland.

Today's meeting was presided over by its vice president, Li Yunchang, with attendance by committee members from China and overseas.

PRC: Article Criticizes Taiwan's Shipping Proposal

OW2406144496 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1237 GMT 20 Jun 96

[Special Article: The 'New Proposal' of Taiwan's Strait Exchange Foundation and Mainland Affairs Council Obstructs Cross-Strait Direct Shipping" — by reporter He Jixiong (0149 2623 7160)]

[FBIS Translated Text] Hong Kong, 20 Jun (ZTS) — Recently, while discussing the feasibility plan and strategy for cross-strait shipping at this year's first meeting of the Industrial Development Council of Taiwan's Ministry of Economic Affairs, Gu Zhenfu [Ku Chen-fu] and Gao Konglian [Kao Kung-lien], respectively chairman of Taiwan's Strait Exchange Foundation [SEF] and vice chairman of the Mainland Affairs Council [MAC] under Taiwan's Executive Yuan, called for revising Taiwan's "Regulations Governing Relations Between People on the Two Sides of the Taiwan Strait" [the Regulations] to enable the same regulations to govern both regular and nonregular foreign freighters, allowing them to operate between the two sides of the strait if they have anchored at a third region.

At first glance, the proposal seems aimed at breaking the current impasse in cross-strait direct shipping by adopting an alternative and more liberal way that seems to meet the needs of Taiwan's business circles concerning commodities shipping costs and time. But, actually the proposal was made out of political need. Those making the proposal ignored Taiwan's economic future and still used political "risk theory" as a pretense to ward off the eagerness of Taiwan's business circles for cross-strait direct shipping.

Taiwan's Ministry of Transportation and Communications reportedly did not give its approval to the proposal. An official of the ministry's navigational affairs section pointed out two things:

First, the proposal is practically a move to kill the goose that lays golden eggs. Although the proposal allows regular foreign freighters to indirectly sail between the two sides of the strait, it is a clumsy move that exposes the real intentions behind the proposal and which will make the mainland even more skeptical about Taiwan's sincerity in promoting direct shipping. The official said: When Taiwan began to implement its plan to establish an offshore transshipping center, Beijing was

skeptical about it, figuring that Taiwan was just trying to use foreign freighters to replace cross-strait shipping operations in an attempt to enhance the economic and trade position of Taiwan's Kaohsiung port, and that Taiwan was insincere in promoting direct shipping. The Taiwan authorities explained to Beijing through various channels that the offshore transshipping center project was a preparatory project for direct shipping and that the Taiwan authorities were absolutely sincere about it. And now, while the offshore transshipping center project is still undecided, it has been proposed that regular foreign freighters be allowed to operate between the two sides of the strait as long as they have anchored at a third port. This move makes the Taiwan authorities' previous explanation aimless and self-defaming. Therefore, Beijing is now even more justified in questioning Taiwan's stand.

Second, the proposed measure not only will not reduce cross-strait shipping costs; on the contrary, it will directly impair the competitiveness of Taiwan freighters and force more Taiwan freighters to operate on a temporary basis. The official added: Currently, Taiwan freighters are in an unfavorable position in operating across the strait; as a result, crew members' pay and shipping companies' operating costs are affected, compelling many of them to convert to foreign-registered ships to stay competitive. This has become a major problem in revitalizing Taiwan's maritime shipping industry. When the Taiwan authorities began to implement the offshore transshipping center project, Taiwan's maritime shipping industry became more worried about this problem. For this reason, Taiwan's Ministry of Transportation and Communications then promised that, once progress was made in implementing the offshore transshipping center project, Taiwan freighters would be allowed to directly operate across the strait. Besides, article 30 of the "Regulations" stipulates that regular foreign freighters are not allowed to operate between the two sides of the strait, and the main reason for this is to ensure Taiwan freighters' competitiveness. But the proposed measure is a step backward in terms of cross-strait direct shipping, as well as a heavy blow at Taiwan's maritime shipping industry.

Many Taiwan maritime shipping companies pointed out that the reason why the Industrial Development Council acted against the trend of the times in handling cross-strait direct shipping issues was that it did so from foreign shipping companies' standpoint. As a matter of fact, allowing regular foreign freighters to operate between the two sides of the strait via a third region will not reduce shipping costs; trying to reduce shipping costs in this way would only be a daydream. Not only that, but foreign shipping companies might try to

change Taiwan's policy through various channels in an attempt to include the cross-strait shipping market in their intercontinental shipping routes.

Taiwan's shipping companies have held that, since Li Denghui [Li Teng-hui] won the election, establishing postal, trade, and shipping ties [the three ties] between the two sides of the strait has been the Taiwan peoples' greatest wish, and it also should be Li Denghui's top priority. To honor its words and achieve practical results, the Taiwan Maritime Shipping Association has actively discussed the direct shipping issue with its mainland counterpart, and the mainland's maritime shipping industry has geared itself up for the "three ties". But, things have developed against their wishes. The Taiwan authorities were willing to change the "Regulations" to cater to foreign shipping companies' needs, but were unwilling to listen to the Taiwan shipping companies' urge to revise relevant regulations to allow them to operate between the two sides of the strait.

Leaders of Taiwan's shipping industry said: The "risk expert" of Taiwan's MAC has been worrying about nothing. He frequently cites his "political risk theory" only to frighten himself and cocoon himself like a silkworm. Even Taipei Mayor Chen Shuibian [Chen Shui-pian], who is a member of Taiwan's Democratic Progressive Party, could not refuse to squarely face the issue of cross-strait direct shipping, saying it is an irresistible trend. Development of the matter will be like what Kaohsiung Vice Mayor Huang Junying concluded: You cannot put it off for long no matter how you try to resist.

PRC: Taiwan Investment Protection Rules Adopted This Year

*HK2506075796 Hong Kong WEN WEI PO in Chinese
17 Jun 96 p A2*

[Dispatch by staff reporter Tseng Shu-wan (2582 2579 8001): "Beijing Stresses Protection of Investments by Taiwan Compatriots, Rules for Implementation Are Expected To Be Made Into Law End of This Year"]

[PTS Translated Text for FBIS] Beijing, 16 Jun—The first draft of the rules for the implementation of the PRC Law for Protecting Investments by Taiwan Compatriots will be completed in August and is expected to be made into law by the end of this year. The Law for Protecting Investments by Taiwan Compatriots, which was approved and promulgated for implementation by the National People's Congress on 5 March 1994, has laid down principles and regulations for defining Taiwan compatriots and protecting their investments. The rules

for the implementation of the law will spell out these principles and regulations in more concrete terms.

A person-in-charge of the relevant department pointed out: Since the second half of last year, the leaders of the Taiwan authorities have engaged in separatist activities on the international arena in a big way, bringing about tension in cross-strait relations. Recently, the Taiwan authorities are still devoid of sincerity toward developing cross-strait relations. While firmly opposing a split and move toward Taiwan independence, we as always adopt a positive attitude toward promoting cross-strait exchanges and "three exchanges" and protecting the interests of Taiwan compatriots. Our struggle against a split and move toward Taiwan independence is by no means directed at Taiwan compatriots.

The person-in-charge said: The formulation of the Law for Protecting Investments by Taiwan Compatriots shows that we have great sincerity in protecting the interests of Taiwan compatriots. The condition at that time was: The Taiwan authorities still set restrictions on investments by Taiwan businessmen on the mainland and theoretically there was no question of investments by Taiwan compatriots; they also refused to work out a corresponding law for protecting investments by

mainland compatriots. In our view, however, as we were all compatriots and as the interests of Taiwan compatriots should be protected, we still formulated the law.

A year after the promulgation and implementation of the law, the National People's Congress Standing Committee dispatched two groups to Guangdong, Fujian, and other places in the coastal areas, where investments by Taiwan compatriots are relatively concentrated, to inspect implementation of the law. Later, the relevant central departments also sent people to various localities on numerous occasions to listen to the views of Taiwan businessmen on how to formulate the rules for the implementation of the law for protecting investments by Taiwan compatriots.

It is disclosed that the rules will rationally define "investments by Taiwan compatriots." There will be clear-cut, strict provisions on various aspects, such as tax collection, transfer, inheritance, re-investment, investment form, decision-making power in operation and management, mediation, and coordination, so as to give effective protection to the interests of Taiwan compatriots.

Taiwan: Mainland Affairs Council To Consider PRC Water Offer

HK2506074196 Hong Kong HONGKONG STANDARD in English 25 Jun 96 p 7

[By Pamela Pun]

[PTS Transcribed Text for FBIS] Taiwan's top mainland policy-setting body is to discuss a China-initiated plan to supply water to the Kuomintang-ruled islets of Quemoy and Matsu after Taiwanese experts completed a feasibility study at the end of this week, a Taiwanese official said.

The proposal was initiated by Water Resources Department of the Fujian provincial government.

Chen Guoliang, the department's director, has sent the proposal to Taiwan's Ministry of Economic Affairs.

"We have invited experts to conduct a study on the project and a report on it will be available by end of this month. After that, we will submit the report to the Mainland Affairs Council for final decision," said Hsu Hsiang-kun, director of the water resources section of the Ministry of Economic Affairs.

Mr Hsu said he received the mainland proposal two weeks ago after it passed through many departments.

The proposal was a revision of earlier proposals from Fujian.

According to the latest proposal, Fujian provincial government came up with three sets of drafts.

"I am optimistic about it," Mr Hsu told The Hongkong Standard yesterday.

Beijing has been pushing for direct links of mail, transport and trade in recent years. However, Taipei banned all such links after the Kuomintang fled the mainland in 1949. Until now, commerce, transport and postage between the two sides were carried out via third territories such as Hong Kong.

Mr Hsu said Taiwan would accept the project if the study proved that it was feasible, adding that it would be great help to solving water shortages on the islands.

It is Taipei's first positive response on the mainland's water supply proposal, to which Beijing has attached great importance and regards it as a de facto direct cross-strait link, observers say.

The feasibility study will look into three areas — economic, technical and financial issues, according to Mr Hsu.

Each draft has advantages and shortcomings, Mr Hsu said, declining to comment further.

The plan has not yet been discussed between officials of two sides since Taipei did not grant an entry permit to Mr Chen, who was planning to discuss the issue with Taiwanese officials during his visit. Mr Chen applied for an entry permit nearly six months ago.

Mr Hsu said he welcomed a visit by his Fujian counterpart, adding that he hoped to talk with Mr Chen after Taiwan experts finished their assessment report.

Mr Chen planned to visit Taiwan at the end of this month or early in July as a member of the non-government Fujian-Taiwan Exchange Association.

The water project directly linking China's coastal city of Xiamen and Taiwan's islets of Quemoy and Matsu would be high on Mr Chen's agenda.

The project was one of the main topics at the "Cross-strait Water Resources Science and Technology Seminar" to be held on 5 August in Taipei, Mr Hsu said.

With tourism booming in Quemoy and Matsu for the past few years, water shortage became a bottleneck of local development, according to Mr Hsu.

He said the islands would impose water quotas for one to three months each winter.

As an alternative, Taipei would build a sea water desalination plant in Quemoy and Matsu to ease water shortages and to provide emergency supplies, he said, although such water resources are very expensive.

Taiwan: Taipei 'Never Expected' To Exchange Offices With Pyongyang

OW2506091896 (Internet) Taiwan Central News Agency WWW in English 0836 GMT 25 Jun 96

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, June 25 (CNA) — The Republic of China [ROC] has never expected to exchange representative offices with North Korea any time soon, Foreign Minister Chang Hsiao-ien said Tuesday [25 June].

"We have no plan to open a representative office in Pyongyang at the moment," Chang told a news conference, his first since he assumed office earlier this month.

Nevertheless, Chang said the ROC Government is concerned about food shortages in North Korea. "I think we should give humanitarian aid to the famine-stricken country."

A North Korean delegation, headed by Yi Song-nok, chairman of the North Korean International Trade Promotion Committee, arrived in Taipei June 21 for a fact-finding visit at the invitation of a ruling Kuomintang-owned company, sparking media speculation on development of Taipei-Pyongyang ties.

Chang said Pyongyang's close links with Beijing and its unstable political situation have hindered development of its relationship with Taiwan.

"North Korea has been plagued by a host [of] domestic problems since Kim Chong-il took power," Chang said, adding that the reclusive communist country has maintained trade and political relations with only a very, very few nations.

"All these factors have discouraged us from expecting a major breakthrough, including exchanges of representative offices, in our ties with Pyongyang any time soon," Chang explained.

Meanwhile, the North Korean delegation left Taipei for Singapore Tuesday afternoon following a five-day visit here.

Yi Song-nok, head of the North Korean mission, originally planned to pay a courtesy call on Vice Foreign Minister Stephen Chen before his departure, but cancelled the plan to shun media coverage.

Peter Cheng, director of the Foreign Ministry's East Asian and Pacific Affairs Department, said the North Korean delegation was here mainly to learn from Taiwan's experience in agricultural and economic development and to attract Taiwan entrepreneurs to invest in North Korea. "The visit was aimed neither at discussing exchanges of representative offices nor asking for emergency rice supplies or other humanitarian help."

While here, Yi met with senior ROC economic, trade and agricultural officials, including Vice Economic Affairs Minister Sheu Ke-sheng.

Cheng, who went to Chiang Kai-shek International Airport to see Yi off, declined comments on whether Yi's visit marked a breakthrough in Taipei-Pyongyang ties. He just said the ministry will continue working to upgrade relations with other countries.

*Taiwan: Unexpected Nation-Building Function of Presidential Election

96CM0320B Taipei HSIN HSIN WEN /THE JOURNALIST/ in Chinese 23 Mar 96 No 472, pp 114-115

[Article by Yang Chao (2799 3564): "Establishment of a Sense of Citizenship is the Most Precious Achievement of the Presidential Election"]

[FBIS Translated Excerpt] [passage omitted] However, what is different about the "chia pien hua hui" [10857 1628 5478 2585] is that before and after the election, the social rules and regulations will themselves have changed greatly instead of just releasing "chia pien hua hui" then returning to a "routine" society. Of course, the election will be over, but after the election, what is meant by "routine" will be redefined.

In recent years, Taiwan has held a series of major elections, and an election in a place so small as this completely shakes the country; so within a few short years, the reforms resulting from elections have already been quite shocking.

We are still talking about the electoral effect of voters on the parties and the winners from the parties, but the biggest effect of recent elections has actually been the mentality and structure of feelings.

To make a long story short, the gubernatorial and mayoral election of 1994 made us look at the obstacles and accumulated complaints against one another we hold inside ourselves. Whether it was the Taipei mayoral or Taiwan provincial election campaign, everything was centered on factions and factional feelings. Even more interesting was that these arousals of factional awareness were quite different: in the city of Taipei, groups formed which were clearly factional in nature, but in Taiwan province the competition proved that factional forces can compete with interest transferal to realistically allocate political resources.

[passage omitted] Regardless of the results achieved, this was doubtless the first time people spoke out publicly as members of a faction, breaking through obstacles of aversion which have built up over many years. People are changing from hot to cold, from estrangement to excitement and anger, from superficial "negotiations" to "differentiating" face to face in their emotional makeup, easing the impatience to be "different and a different person."

If there had been no elections, these things would have not been released at the same time. It is precisely because they were released simultaneously that their latent, explosive, destructive power scares many people.

In the legislative commission election at the end of 1995, the basic structure of this sort of "alienation" and "anger" went through another major reorganization. People now feel that after all is said and done, we must attempt to put these differences aside, find the same foundation and get along peacefully.

So, aside from the main issues of contention, there grew out of that election a new attitude and structure of feelings for reconciliation. The "Big Association" hopes to reconcile the differences between the Democratic Progressive Party and the KMT [Kuomintang] by exploiting the common ground characteristic of factions. The "Big Reconciliation" tries to reduce the conflicts between the Democratic Progressive Party and the New Party which are due to factional differences by exploiting their common dissatisfaction with the ruling regime.

Without the election, there would not be the space created by the election for political parties to associate, and it would be impossible to create a way for "big association" and "big reconciliation" so soon, given the normal situation of factional obstacles and party opposition.

Before the "big association" and "big reconciliation" atmosphere had developed completely, the presidential election arrived. Suddenly, this aroused a hostile attitude followed by a protective attitude towards Lee Teng-hui personally. This opposition and protectiveness are precisely borderline factionalism.

It was just at this moment that the CPC entered to disrupt things, and became the most significant variable in the election. The CPC's overbearing manner and threats cast the entire Taiwan election on the single issue of "how to handle the CPC." In addition, its actions were criticized throughout international society.

These two forces came together in the election "chia nien hua hui." The actual result of the election was the development of a "sense of citizenship" in Taiwan.

A "sense of citizenship" means not having to go through intermediaries to get international attention. We no longer will be considered a part of the "China puzzle." We will no longer have to explain and contend with various complicated relationships because we have the same name as the communist People's Republic of China; the world knows exactly where we are and what is going on in our island. This is also the first time we have appeared in the international media without being affected by the CPC's protests; everybody in the world now knows why they want to report about Taiwan. As for whether Taiwan is a part of China, the Taiwan-PRC confrontation during the crisis made it quite clear

that one side was doing all the threatening, the other side was being threatened. For the first time, the world recognized our status as a complete nation, rather than the ambiguous "other China."

Our "sense of citizenship" is demonstrated in our recognition of our common emotional dependence in facing our enemies. We can hold different views about handling the cross-straits relationship, but no matter how different these views may be, we all know that we will only talk with the other side from this side of the strait. Our common external enemy will not make us forget our internal mutual differences; rather, it forces us to realize that regardless of how great these differences are, we are tied together by a common fate, and will always find ways to continue getting along.

The "big association" and "big reconciliation" would try to eradicate the differences, believing that society will reorganize only after the differences are gone; the new "sense of citizenship" tells us that even though we have our differences and even hatreds, this society can still organize to operate. It will not affect our being "fellow countrymen," because while those on the other side of the strait say they want to include us under their regime, they are really a frightening and evil "external force."

No matter what the election results may be, this newly-established "sense of citizenship" will survive. Growing out of this "sense of citizenship" is a recognition of our nation's true spiritual borders, finding the direct connection between ourselves and the world, and the bottom line of mutual tolerance for our differences. This spiritual reform is the most precious achievement of the presidential campaign.

*Taiwan: First Cabinet Reshuffle After Presidential Inauguration

*96CM0320A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese
No 472a, 30 Mar 96 pp 103-104*

[Article by Wu Yen-ling (0702 3601 3781): "Lee Teng-hui Naming Aides and Staff Cabinet"]

[FBIS Translated Excerpt] [passage omitted] Lee Teng-hui once remarked that, "There will be major adjustments in politics in the future." Although he did not make clear what kind of adjustment there would be, the results of this adjustment will be reflected in the cabinet reorganization in May. Lee's future cabinet could be positioned toward: one, succeeding cabinets; two, aids and a staff cabinet; and three, incorporating three different directions into the cabinet.

Wu Po-hsiung (0702 0130 7160) will certainly be a candidate for succeeding cabinets. Wu's book, entitled

25 June 1996

TAIWAN

67

"Wu Po-hsiung: 30 Years in Politics" has just been published. Coming just before he will be competing for a spot in the cabinet, it is a collection of many interviews with him in which he talks of his family, his experiences in politics, and his political future. Although not a memoir, it is very close to being one and expresses Wu's thinking to a great degree. Many people, including Wu Po-hsiung himself, are aware of the impact it is likely to have at the time he is competing for the cabinet. Although the publication of this book amounts to a campaign for Wu, it is known that Wu himself did not want the book to come out at this sensitive time, and hoped to avoid those outside from making too much association with it. He did indicate his feelings on this to the book's author, but because the author had put so much preparation into it, and it was a business opportunity for the publishing house, the book was still published in early March contrary to Wu's objections.

[passage omitted] But, if Lee Teng-hui considers his successors to be the Mesozoic Era for the KMT [Kuomintang] four years from now, he will certainly name Wu Po-hsiung to a position equal in status to that of Lien Chan [6647 2069] and Sung Ch'u-yu [1345 2806 3842]. Wu would be a vivid and dramatic presence during a three-year term as premier. However, such an arrangement would put Wu Po-hsiung in front of Sung Ch'u-yu, and at that time, with Sung opposite Wu, Wu would be Sung's superior. Frankly speaking, as Lee Teng-hui attempts to leave his historical imprint on the KMT, he does not need to complicate the issue of the Mesozoic Era of the KMT's candidates for succession and create difficulties for his successors. So the chances of Wu Po-hsiung attaining that position are not too high, unless what Lee Teng-hui really wants is to create a fairly equal basis for those competing in this, the KMT's Mesozoic Era. Otherwise, he does not need to make any such arrangement as this.

Possibilities for aides and the staff cabinet have been bandied about quite a bit lately inside the KMT. Such talk assumed that after the presidential election the government would implement the presidential system, and the position of premier will become roughly that of chief aide to the president. But the KMT failed to win the three-fourths of the seats needed to revise the constitution, so there will probably be no large-scale revision of the constitution, such as touching articles that involve government operations. However, one senior official believes that Lee Teng-hui will position the premier to be the president's chief aide and chief of staff through practical political operations, so he is very likely to position the premier through the nominating process. Therefore, the candidates for the cabinet will not be too strong. This gentleman says that, "Hsu Shui-te

[1776 3055 1795] and Hsu Li-te [1776 4539 1795] may come under consideration. Hsu Shui-te's weak status may make him an especially strong candidate to join the cabinet."

Since taking on the job of KMT chief secretary, he has shown a great willingness to cooperate with Lee Teng-hui. In the past few years, when it came to party affairs, Hsu Shui-te always performed as if he were Lee's chief of staff, and always carried out Lee's every wish. If Lee Teng-hui wants to suppress the growing strength of the Legislative Yuan, the strategy of selecting a weak premier would certainly help him achieve his goal. Otherwise, if a strong Legislative Yuan chairman faced a legislature in which three equal powers balanced each other, the government's core of operations might well shift between the two Yuans. Therefore, by choosing the tenacious Hsu Shui-te, as long as he can satisfy the demands of the legislative committee, and the cabinet member layout is strong enough to attain the effect of a "weak backbone with strong branches," Lee Teng-hui can through such a political operating model as this attain the goal of having the premier function as the president's chief of staff and chief aide.

[passage omitted] Another candidate to fill the same cabinet role is Hsu Li-te. In the past, outsiders used to describe the partnership of Lien Chan and Hsu Li-te as that of "strong director, weak deputy director"; however, in the operations of Lien's cabinet, the reality was that Hsu Li-te served as an important aide as well as the implementer of Lien Chan's policies. It was Lien Chan who made the decisions on all important matters; the situation was similar to Lien Chan deciding which dish to have, then Hsu Li-te would arrange everything from buying the ingredients to putting it on the table; he arranged everything well. In other words, Hsu Li-te is a person who "never breaks any rules"; so he would be an excellent candidate for entering the cabinet.

Another thing in Hsu Li-te's favor is his relationship with Lien Chan. Lee Teng-hui's selection of Lien Chan as vice president was still based for the most part on considerations of the succession; under the concept of "moving the political operating format to the presidential system," if Lien Chan wants to become the future successor, he should find a partner who works very well with him while not affecting his succession, and in that case Hsu Li-te is of course the best person. Therefore, Lien Chan is still the key to Hsu Li-te's victory.

As for the reorganization of cabinet personnel in May, while Lee Teng-hui said that it will make use of the very best talents regardless of their party affiliations, if he thinks about "reorganizing the cabinet," Lee Teng-

hui may nominate such a person as Lee Yuan-che [2621 6678 0772], who is highly respected yet has no political baggage. This way, Lee Teng-hui would bring in a brand new political atmosphere and have the result of restarting the KMT.

Such considerations can all be implemented by constituting his cabinet from talent not in political office. Many people think that if the KMT wants to guarantee holding Legislative Yuan majority, then there is a very slight possibility of KMT legislative members being named to the cabinet when it is reorganized in May. If the KMT wants to get politicians not in office into the cabinet, the best thing would be to approach the district legislative committees of the parties not in office, because this would reduce their seats and increase the KMT's stability in the Legislative Yuan.

[passage omitted] Therefore, at present, what is most worrying to the Democratic Progressive Party is that should members of their party be invited to serve in the cabinet, the party would probably be facing a crisis of separation on the issue of how to handle a coalition cabinet. Many Democratic Progressive Party legislative committee members have expressed such a concern in their analyses of the post-election political situation. The Democratic Progressive Party also believes that if there are no New Party members invited into the cabinet, then the appropriateness of the Democratic Progressive Party's role as "opposition party" could also be lost to the New Party; so, to the Democratic Progressive Party, how it will handle the political situation presented by a coalition cabinet or what form it might take will have already been discussed quite a bit before the KMT makes this change. One strategy for Lee Teng-hui would be to take the Democratic Progressive Party, with its political views so close to his own, into the cabinet to form a coalition entity in Taiwan that in its political significance would be "Nationalist" and "Democratic," and in so doing let the Democratic Progressive Party just "die out."

However, in addition to Lien Chan's public comment that it was not necessary to put together a coalition cabinet, senior officials have also exchanged views on this issue privately. KMT insiders are known to have sought the views of party members during the election campaign, with the result being that there are quite a few opposing views. The opposition's main point is that while the KMT's holding only 83 seats may be "instability," the party still holds a majority of the seats. Moreover, in a situation where the legislative committee serves three terms, as long as you can gather nonparty members, you may be able to control the situation; and, as the strategy of the KMT's Legislative Yuan delegation in shutting down its committee ahead

of schedule has demonstrated, in the eyes of the central KMT authorities it has proven its ability to counterattack. Therefore the KMT members opposed to bringing out-of-office parties into the cabinet feel that if the KMT can consolidate at every step it will succeed, although it will be risky. [passage omitted]

*Taiwan: Economic Power of Organized Crime

96CM0321A *Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese* 3 Feb 96 No 464, pp 81-84

[Article by T'an Shu-chen (6223 3219 3791) and Yang Li-chieh (2799 4539 2638): "From Where Do Organized Crime's Economic Gains Come? Domination of the Entertainment Industry and Construction Projects"]

[FBIS Translated Excerpt] [passage omitted] In Taiwan today, no matter whether probes of organized crime are conducted by government investigative units or by civilian academic research organizations, most have focused on "criminal" behavior. So there is a severe lack of documentation on the economic capacity of the world of "organized crime," in some instances none at all. So the "financial ability" of these criminals is something quite difficult to determine. However, to quote a senior police officer of the Bureau of Criminal Investigation, "If we judge criminals by their houses, cars and appearance, then it is certain they must be doing "not bad at all" or "very well." We see this from the fact these people all drive cars starting with the letter B, and there is even one senior brother who drives a Rolls Royce with a little angel on it.

A true story and some accurate statistics can make the organized crime brotherhood's financial situation even more clear. According to the Firearm Commission's gun documents, there are at present a total of two guns in the world worth NT\$2.5 million each, with barrels made of 18K gold. Both guns are in Taiwan: the owner of one is a hugely wealthy man in the financial business; the other gun's owner has connections to the Chulien gang, because he cooperated with a Chulien gang brother in opening a manufacturing company.

[passage omitted] "Two bottles of booze will use it all up!" This was the reaction of a Chulien gang brother when he discovered that the limit on his credit card was only NT\$150,000, which he considered too small. Once, learning that an ordinary reporter's credit limit was higher than his and the reporter even held a gold card while the brother only had the ordinary card, he curiously inquired, "Are you better than I am? You have a gold card!" When told that qualifying for a gold card required only an income of more than NT\$650,000 or for one's consumption to reach a certain amount, he

said, "For one year? I spend more than NT\$650,000, probably more than 10 times that!"

From what we saw and heard, we can conclude that this organized crime brother's property puts him at a super rich level comparable to that of China Trust's Ku Lien-sung [6581 3425 2646], with the exception that Ku owns a private airplane.

The figures are this: many of them consume NT\$150,000 each time they go out drinking; they all live in houses priced at NT\$100 million per unit; they all ride around in BMW and Benz cars, and of course there is the brother in Kaohsiung County who drives a white, handmade Rolls Royce. They all love to gamble, betting at least NT\$100,000 each time; they all wear some "baubles," like Dior or Coty diamond watches, classic wallets....Most important to these brothers' status is that they always carry on them pocket-sized answerable earphones, as well as Motorola's most up-to-date model of cellular phone.

Although these brothers' consumption level is almost that of the "upper class" super rich, the difference is that the more money they have, the more easily they are suspected of having connections with "criminal elements"; because Taiwan's organized crime world is the same as Japan's, that goes "from pornography to construction." The chief criminal investigator in one city points out that businessmen who engage in illegal actions are for the most part organized crime brothers or members of criminal organizations. This policeman says that Taiwan has a total of four organized gangs, all in Taipei: Chulien, Sihai, T'iantao and Sunglien. Sunglien is the most unique of the group, because it has "very little" legalized business. To his knowledge, T'iantao's members not only dominate some illegal business, their involvement in legal business is "much more" than that of the other organizations.

[passage omitted] The most significant involvement is in the legal entertainment industry. A T'iantao gang brother is a major figure in the film and theater industry, and one brother at the committee director level is the honorary director of the No. 4 Cable Television Commission in Taipei county. Of course, a T'iantao gang brother "well known at the local level," although he has many legal businesses, is still referred to by those in organized crime as "Scissors" whenever they mention him, because he always has too much connection to "cheating and gambling." In truth, many young owners of the second generation of Taiwan's top 50 major enterprises are "debtors" to this brother.

However, in recent years, this second generation of enterprise owners has been going to Macao's P'uching or Malaysia's Yunting, even Subic Bay in the Philip-

pines, to gamble or play 21. In these places where gambling is legalized, there are also places which Taiwan's T'iantao and Chulien have invested in: the Paotao Hall in Macao's P'uching is run by Chulien brothers, and it is said that there are Chulien brothers with investments in gambling places at Subic Bay in the Philippines.

A Police University investigative report once made it clear that "gambling places" are gangsters' instruments for supporting their families as well as important economic sources; after that, there is illegal money-lending, dance halls and bars, pornographic beauty salons, electric games...However, after their operations are set, then they start doing so-called transfer types of work, showing up as companies, such as investment companies, the XX enterprise group, etc. However, no matter how they transfer their business status, "most of them still engage in special types of business."

A brother who was recently "disrupted" and shut down by investigators, a man one senior city detective called a "licensed gangster," admitted quite frankly that the brothers derive more profits from the "special types of business," which makes it easier for them to take care of their followers. He points to night clubs and KTV as examples: these businesses employ a lot of help, and many people will park there. However, this brother still stresses that although they do more in special business, legalization is now their main goal, in such areas as "massage and beauty salons and electronic gaming, all conducted in "company status." Meanwhile, in recent years, many gang brothers have also started to invest overseas in businesses in Southeast Asia, on the mainland, etc.

[passage omitted] Regardless of whether a brother's business is legal, the society outside believes that the most profit is to be found in the real estate industry. Especially in recent years, since the government began major construction in public projects, one frequently hears in construction circles about such things as "organized crime bidding on projects" and "organized crime shooting up the construction site," etc. A typical example of this was the Tong Yi shooting incident of a few years ago. The murder case of Sihai brother Ch'en Yung-he [7115 3057 0735] is also suspected of being connected with "land profits."

Some Taiwan "professional" construction companies often criticize those outside of construction for making the industry look bad with their claims that "organized crime is bidding on projects." They protest that public construction projects are technical in nature, so how can organized crime know anything about it? However, one person familiar with both the brothers and the construction industry points out that the brothers' daring

to bid on projects indicates that they "know." He says the brothers "will absolutely not touch anything they do not know." The risk they would take in not knowing is they would have no certainty of making money and "organized crime doesn't work that way!" Brothers go into things that they are sure about and where they know what they are doing; of course the most important factor is, will it make money?

He also says that when the brothers are just helping others (what outside society refers to as "making a round ball"), they will first evaluate the construction achievements and abilities of the person they are trusting. He points to Japan's Yamaguchi group as an example of this: the Yamaguchi are very tough when it comes to bidding, but at the same time they are very capable.

One brother who recently entered construction industry circles feels that for brothers to go out "mediating" is a positive thing for construction circles. His proof of this is that once the brothers mediate, the bidding tends to get lower without lowering construction quality due to bad competition. He admits, however, that their style of mediation will not work on such as the China project, the Jungkung project, the mainland project, etc., and some manufacturers will have absolutely nothing to do with a project if they learn the brothers are involved.

But sometimes, although an enterprise owner may not want to touch a project, when his project is in a local gang head's "administrative force," he has to go along with that force. A good example is the Formosa Plastics Group.

[passage omitted] The Formosa Plastics Group is using land in Mailiao, Yunlin County as the construction site for its sixth cracker. Nearly everything there, including filling in the ocean to make land, is being done by themselves. The lone exception is that the sand and stone business belongs to Yunlin's brother class person Lin Ch'ing-piao [2651 3237 2871]. Lin was not originally in the sand and stone business, but when he heard that Formosa Plastics had decided to build its sixth cracker in Yunlin's Mailiao, he happily brought his people to Formosa Plastics' Taipei offices, where he politely informed them he had a piece of land there and was willing to cooperate with Formosa Plastics on the project. Formosa Plastics' Taipei "peasant" had only watched the Hong Kong film "The Qualities of a Hero," so was unaware that these men crowded into his small office wearing suits, short haircuts and dark sunglasses were real world "brothers." Not knowing what to do, the company's special assistant just said, "If there is any trouble, I will go there and handle it." Lin Ch'ing-piao probably sensed there was a "cultural gap" here, so he left without staying.

Less than a month later, Formosa Plastic Group's special assistant in fact did go to Yunlin seeking out Lin Ch'ing-

piao, and Lin did not give the frightening performance he gave on the first occasion. However, whenever Formosa Plastics' owners, Wang Yung-ch'ing [3769 3057 1987] and his brother Wang Yung-tsai [3769 3057 0961] go to Yunlin to inspect the sixth cracker project and arrange for a banquet to be held locally, Lin Ch'ing-piao sometimes attends, and never leaves before exchanging toasts with the Wang brothers. But after that first frightening performance, nobody asks about that piece of land he claimed to own; they only know that Lin Ch'ing-piao handles the sand and stone business at the sixth cracker.

What the brothers in organized crime regard as mediation work is considered "illegal bidding" by the construction industry and police. However, the brothers think their actions are rational, and that they are providing a "service business that the law does not care about or does not reach." Of course, since it is a "service business" which the different gangs and the "black and white two gangs" in Taiwan all provide, then different customers will go to different service offers. It is this sort of different gangs providing the same service to opposing factions that most easily leads to "disputes."

A recent case of land use and transfer was recently brought to light involving a Taipei County people's representative who is a brother, a Chulien brother at the boss level, and a senior police officer with a bright future in Taipei's police force. The Taipei county brother and the Chulien brother were trusted by somebody, each providing services for each customer, and it is said the senior police officer wanted a sum of money for himself.

Some knowledgeable persons point out that this land dispute case was originally very simple, and was mediated by people from Chulien. The land owner provided NTS\$30 million, 20 million of which was to be given to the land users for the transfer and for the convenience of the land owner to develop the land. After some procedural fees were deducted, the leftover cash went as a commission for the "person who provided the service."

The service the land owner was paying for was a speeding up of securing and using the land, avoiding the sluggish and delaying law enforcement procedures involved, "compensating for those things the law cannot do." If this service can be provided, then the brothers will be able to get their "service fee."

Whenever the government passes laws to prevent organized crime, organized crime changes its methods as well. Even the gold industry, which continues to be dominated by organized crime brothers, has changed from illegal to legalized; only they have a wider definition of what is legalized.

Hong Kong

Hong Kong: Editorial on Zhou Nan's Interview With TIME

HK2506071796 Hong Kong WEN WEI PO in Chinese
25 Jun 96 p A2

[Editorial: "One Country, Two Systems' Must Succeed"]

[PTS Translated Text for FBIS] Director Zhou Nan gave an interview to U.S. magazine TIME, dwelling on the prospects after 1997 and the factors for the inevitable success of the "one country, two systems" policy. Investors from all countries concerned about Hong Kong's development should carefully read the interview. Chris Patten visited a number of countries and delivered speeches, drawing a "dark picture" of Hong Kong's future. With ulterior motives, he attacked China's sincerity in implementing the "one country, two systems" policy and saying that China had undermined Hong Kong's prosperity and stability, in an attempt to spread a skeptical mentality among foreigners who do not know about Hong Kong's actual reality. Naturally, Chinese officials are duty bound to explain the truth to the international media and correctly expound the principles and policies of the Chinese Government towards Hong Kong.

What does Hong Kong depend on for its prosperity and stability? What is its relationship with the China factor? Zhou Nan used a large amount of facts to explain the matter. Hong Kong has been a free port under British rule for more than hundred years, he said, but Hong Kong's rapid economic development is something of the past 20 to 30 years. This is totally related to China's reform and opening up, and Hong Kong has benefited from the "China factor." Hong Kong has made use of the mainland's cheap labor, resources, and land, which enormously increased the competitiveness of its products. Since China introduced reform and opening up, its foreign trade developed drastically and more than half of its products have been exported via Hong Kong. Two-thirds of China's foreign capital comes from Hong Kong. Hong Kong's economy is inseparable from that of the mainland and the two complement each other. China will maintain a high economic growth in the decades ahead and will become the locomotive in the Asia-Pacific region. However, the mainland's economic development also needs a window, channel, and bridge like Hong Kong. Therefore, keeping Hong Kong's social and economic system unchanged conforms primarily with China's own interests. Why, then, should China change Hong Kong's existing system?

Zhou Nan emphatically pointed out: The purpose of China's "one country, two systems" is also to set a successful precedent for resolving the question of Taiwan.

The implementation of the "one country, two systems" policy benefits China politically and economically. If we violate the "one country, two systems" policy, it will fundamentally harm China's interests. How could China do that? President Jiang Zemin and the CPC central leadership with him as the core will not let things undermining the "one country, two systems" policy happen.

Jiang Zemin once made a remark that "the well should be separated from the river and neither should offend the other" by proceeding from the "one country, two systems" formula. Who has spread doubts on the "one country, two systems" formula in Hong Kong? Who has undermined the "one country, two systems" policy? Who has changed the provisions of the Basic Law for political development? It is the British. Since they are to leave in 1997 and they are not willing to do so, they have done a lot of inglorious things. Why? Britain had a document which "doubted whether the current Chinese regime can exist until 1997." Because of their wrong estimation of the situation, they changed their original principles and policies toward Hong Kong. The British Government had agreed to the "step by step development" for the constitutional plan and had also agreed to the provisions of the Basic Law for constitutional development. However, they took a 180 degree turn in a bid to promote a drastic comprehensive democracy in Hong Kong overnight.

Britain had the experience of advancing step by step for its own democracy. It took 400 years to advance step by step and develop the Simmons-style democratic system. To prevent drastic changes in policies for fear that the swollen headed masses would affect political stability, Britain retained the House of Lords. This is like a plate designed to act as a buffer to avoid the hand being burned and injured while drinking coffee. Britain's handling of Hong Kong's constitutional package is indeed incomprehensible.

Can a smooth transition be effected in Hong Kong? The China factor is most important. China has time and again guaranteed that Hong Kong residents will enjoy more democracy, freedom, and rights after 1997. China is absolutely capable of honoring what it has promised. The governor has practiced a one-man autocracy over the 100-odd years of British rule of Hong Kong, which is to be terminated on 30 June 1997. He can do whatever he likes. Hong Kong residents cannot constrain him nor can the Legislative Council. The

Basic Law has for the first time granted Hong Kong people the right to organize their own government. The proportion of directly elected members for the legislature will gradually increase. The legislature can constrain the chief executive and also remove him from office. If the chief executive cannot gain support from the majority of the members of the legislature, he will have to step down. Hong Kong people know that gradual democratic development is the best. They can enjoy more democracy than the period under British rule, which will also be conducive to maintaining Hong Kong's prosperity and stability.

The establishment of the provisional legislature is the result of the through train being dismantled by the British side. As there is not enough time to immediately elect the first legislature and the "legislative vacuum" must be filled, a provisional legislature is required to handle relevant laws concerning the special administrative region passports and travel documents, ratify the judges for the Court of Final Appeal and the Supreme Court, approve the budget and allocation, and deliberate the chief executive's policy address. There will be a democratic procedure for the formation of the provisional legislature, which is to be elected by the extensively representative Selection Committee. In addition, it is estimated that more than half of the candidates will come from the incumbent legislative members so its representative nature will be ensured.

Regarding the prospects of 1997, it is necessary to realistically conduct analysis in light of the principal factors and conditions. The interview given by Director Zhou Nan to TIME gives us a good enlightenment.

As a matter of fact, "a good beginning and a good ending" conforms most to Britain's interests. If there are some people who are bent on creating trouble, China will still be capable of ensuring the success of the "one country, two systems" policy. The boat will not overturn.

Hong Kong: Six People Blacklisted for Opposing Provisional Legislature

HK2506035496 Hong Kong PING KUO JIH PAO in Chinese 25 Jun 96 p A1

[Special dispatch] from Beijing: "Christine Loh and Five Others Who Are Opposed to the Provisional Legislature Have Been 'Blacklisted' at Beijing Border Checkpoints"]

[PTS Translated Excerpt for FBIS] In recent days a list for careful inspection has appeared at the Beijing International Airport border checkpoints. The list includes a number of Hong Kong Legislative Councillors who are likely to meet with trouble should they cross the border.

As all those on the list are opposed to the Provisional Legislature, it is believed the move has something to do with the highly publicized plan of the "Great Alliance in Opposition to the Provisional Legislature" to go to Beijing to file a petition. Only Tse Wing-ling Announces He Will "Run a Blockade" Next Month [subhead]

This paper has learned that there are six persons on the list, including Cheung Bing-leung, To Kun-sun, and Tse Wing-ling, who are Democratic Party members of the Legislative Council; Christine Loh Kung-wai and Margaret Ng Ngoy-ye, who are Legislative Councillors without party affiliation; and Liu Ching-shan (probably an error for Hong Kong pro-democracy activist Liu Shan-ching). It is learned that the aforesaid six people, with the exception of Christine Loh, are all members of the "great alliance." So far, only Tse Wing-ling has announced that he will "run a blockade" on 1 July.

It is understood that all the border checkpoint counters at Beijing airport have been pasted with the list to make it convenient for customs officials to keep an eye on and make a careful inspection of these people but it is not known whether they will be allowed entry.

Yesterday, this paper made an inquiry to the Chinese Public Security Ministry in charge of entry and exit management. A spokesman said she was not aware of people in opposition to the Provisional Legislature being refused entry, nor had she heard any relevant news. But she stressed that all countries in the world refuse entry to certain people. As to who those people are, she replied: "It is hard to say." [passage omitted]

Hong Kong: XINHUA Explanation of Legco-NPC Relations After 1997

OW2506043896 Beijing XINHUA Domestic Service in Chinese 0841 GMT 24 Jun 96

[Question and Answer on the Hong Kong Basic Law: What Will the Relationship Be Between the Hong Kong Legislative Council and the National People's Congress After Hong Kong's Reversion to the Motherland? — XINHUA headline]

[FBIS Translated Text] Beijing, 24 Jun (XINHUA) — What will the relationship be between the Hong Kong Legislative Council [Legco] and the National People's Congress after Hong Kong's reversion to the motherland?

According to the PRC Constitution, the National People's Congress [NPC] is the highest organ of state power, and its permanent body is the NPC Standing Committee. The Legislative Council of the Hong Kong Special Administrative Region [SAR] is the legislature of the region. It was created according to the Basic Law

as well as the relevant decision of the NPC. It is different in nature from the British-Hong Kong Legislative Bureau as a consultative legislative assembly body to the Hong Kong governor. The SAR Legco is a legislature both in name and reality. It can, in accordance with the law, enact, amend, and repeal laws; examine and approve budgets proposed by the government; approve taxation and public expenditure; receive and debate the policy addresses of the chief executive; raise questions on the work of the government; endorse the appointment and removal of the judges of the Court of Final Appeal and the chief judge of the High Court; pass a motion of impeachment against the chief executive and report it to the Central People's Government for a decision, and so on.

According to the Basic Law, laws enacted by the Hong Kong SAR Legco must be reported to the NPC Standing Committee for the record. The reporting for the record shall not affect the entry into force of such laws. However, the NPC cannot unilaterally and directly enact laws on the internal administrative affairs of the region. This is because the Basic Law stipulates that the Hong Kong SAR is vested with legislative power, and the SAR Legco shall enact laws in accordance with the legislative procedure stated in the Basic Law. As for the laws enacted by the SAR Legco and reported to the NPC Standing Committee for the record, if the NPC Standing Committee, after consulting the Committee for the Basic Law of the Hong Kong SAR under it, considers that any law enacted by the legislature of the region is not in conformity with the provisions of this Law regarding affairs within the responsibility of the central authorities or regarding the relationship between the central authorities and the region, the standing committee may return the law in question but shall not amend it. Any law returned by the NPC Standing Committee shall immediately be invalidated. This invalidation shall not have retroactive effect, unless otherwise provided for in the laws of the region.

Hong Kong: US Customs Not Allowed To Inspect Garment Export Factories

HK2506074896 Hong Kong HONGKONG STANDARD (FINANCIAL REVIEW) in English
25 Jun 96 p 3

[By Peter Chan]

[PTS Transcribed Text for FBIS] Hong Kong will not allow United States Customs to inspect the territory's garment export factories to verify if goods imported into the US are actually made here. Secretary for Industry and Commerce Denise Yue says.

"We shall deal with the issue under the auspices that the Hong Kong Government is highly autonomous. If we find cases of illegal transshipment, our Customs officials will solve the problem by enforcing applicable laws.

"We do not need law enforcement agents from other countries to visit Hong Kong and inspect companies here," she said.

Ms Yue said the government was trying to arrange a date with US Customs for a second round of talks about new garment industry measures implemented by the US last week.

The measures require both the local manufacturer and the importer to sign a declaration to verify that goods imported into the US are manufactured in Hong Kong.

Ms Yue denied claims that the government had not done enough to crack down on illegal transshipments.

She said the government was monitoring key trade statistics to detect illegal transshipments. She pointed out that there was no surge in illegal transshipment activities.

Ms Yue said US Customs did not provide the government with any evidence to demonstrate that the scale of illegal transshipments warranted the measures.

She said the government strongly rejected unilateral and discriminatory actions imposed by any trading partner on Hong Kong.

"We're always prepared to cooperate with our major trading partners through consultation and bilateral discussions," Ms Yue said.

The government will refer its case against the measures to the dispute-settlement mechanism of the World Trade Organisation should the second round of talks fail to settle the issue.

Federation of Hong Kong Industries chairman Henry Tang Ying-yen said he was not optimistic about the outcome of the proposed talks.

He said the US position was quite firm, based on a meeting the federation had last week with US Customs officials.

Mr Tang said the US refused to consider lifting measures such as the requirement for an exporter to pay a deposit equal to three times the value of the goods.

Another measure he considers harsh directs the exporter to ship goods back to Hong Kong if the merchandise is found to have been illegally transshipped, even if the goods have been in the hands of buyers for 210 days.

Mr Tang said the federation had stopped all negotiations with US officials and had been helping the government in relation to the bilateral talks.

He urged Hong Kong garment factories to ask their US-based buyers to write to their representatives in the US Congress and point out how irrational the measures are.

Mr Tang said buyers would start placing orders outside Hong Kong for the second half of this year if the issue was not resolved soon.

Hong Kong: Official: US Measures on Textiles Hurting Legitimate Trade

HK2506074696 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 25 Jun 96 p 1

[By Simon Fluendy]

[PTS Transcribed Text for FBIS] Measures by the United States to curb what it claims are high levels of illegal textiles transshipments from Hong Kong have started to hurt legitimate local business, according to Trade and Industry Secretary Denise Yue Chung-yeo.

Last week, the US imposed extra documentation requirements on textiles and clothing shipped from Hong Kong. The US alleges that large quantities of falsely labelled goods are being sent through Hong Kong to evade quota restrictions.

Speaking to members of the Federation of Hong Kong Industries, Ms Yue said the measures were "discriminatory" and "unreasonable and unjustified".

"The measures have come into effect barely one week and we are already receiving reports of cancellation and putting on hold of orders," she said.

"The simple truth is that instead of making any impact on transshippers, the new measures are already hitting legitimate Hong Kong traders and manufacturers."

Ms Yue challenged the US to come up with evidence to back its assertions.

"The US side have so far failed to provide substantiated evidence, demonstrating that the magnitude of illegal transshipment warrants the severity of the measures imposed," she said.

A spokesman for the Hong Kong Customs said cases of illegal transshipment had remained steady for three years.

"In 1994 there were 233 seizures of illegally labelled goods with a value of \$128 million. In 1995, there were 232 seizures with a value of \$141 million," he said. In the first five months of this year there were 50 seizures with a value of \$50 million.

The spokesman said the department did not have figures on how many officers were engaged in the hunt for illegal transshippers or how many seizures had lead to prosecutions, successful or otherwise.

Henry Tang Ying-yen, chairman of the federation and a legislative councillor, reiterated his controversial use of "barbaric" to describe US behaviour. "I do not regret using the word barbaric," he said after the federation's annual meeting.

"What I was describing is barbaric -- in any case the Financial Secretary used the same word."

Mr Tang said the US measures were "totally unreasonable and typical of the US".

"They think they can go around treating everyone as if they can bully them," he said. But Mr Tang said he did not want to see Hong Kong attempt to take its biggest trading partner on in a trade war.

"I don't think you should fight barbarism with barbarism. We support the fight against illegal transshippers too -- they damage the interests of legitimate business."

"We would be quite happy to co-operate on how to fight the problem more comprehensively but the US just came and hit us over the head several times with a baseball bat and then expect us to cooperate."

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